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FINANCIAL TIMES

40 Years

No. 29,751 ***

Saturday October 12 1985

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WORLD NEWS

Reagan has new cancer operation

President Reagan has had more skin cancer found on his nose, and was removed by a White House doctor in a minor operation on Thursday.

He underwent surgery in July to remove a cancerous growth in his colon and then had a cancerous patch of skin removed from his nose.

He said Thursday's surgery was part of routine follow-up to the earlier operation. "My nose is clean," he told reporters.

Murder charge demand
A 15-year-old boy was remanded in custody at a Tottenham Juvenile Court charged with murdering PC Keith Blakelock during riots. A fifth teenager has been arrested in connection with his death. **Strike**, Page 4

McGlinchey extradited
Dominic McGlinchey, whose conviction of a terrorist murder was overturned in Belfast this week, was freed, then arrested and extradited to Ireland to face more charges.

Terrorism arrests

Several men were arrested by Leicestershire police under the Prevention of Terrorism Act, apparently in connection with Indian Premier Rajiv Gandhi's visit next week.

Kabul off the agenda

President Reagan and Soviet leader Mikhail Gorbachev will not discuss Afghanistan when they meet next month, Soviet Deputy Foreign Minister Mikhail Kapitsa said.

Nobel Prize to doctors

The Nobel Peace Prize was awarded to International Physicians for the Prevention of Nuclear War, founded in Geneva in 1980. **Page 2**

Missiles out of Greece
The U.S. has begun withdrawing Nike anti-aircraft missiles from Greece under a Nato plan to cut battlefield nuclear arms, Athens said.

Sri Lankan ceasefire

India persuaded Sri Lanka's Government and Tamil Separatist leaders to introduce a ceasefire with agreed monitoring procedures. **Page 2**

'No ban on CND'

Lord Chancellor Lord Hailsham denied that there had been any change in policy to prevent Campaign for Nuclear Disarmament members acting as Justices of the peace.

Ballots 'help Labour'

Pre-strike ballots required by law will help the Labour Party in the next general election by distancing it from union militancy, researcher Roger Andy said. **Page 4**

Layoff shortened

Liverpool City Council said the 31,000 workers it plans to lay off will be rehired after four weeks, instead of three months. **Page 4**

Helsinki purge likely

Finland's Communist Party looks likely to defy the Soviet Union by purging pro-Moscow activists. **Page 2**

Bush goes to China

U.S. Vice-President George Bush arrives in China tomorrow for talks expected to cover trade problems and disagreements over Taiwan.

Poles flee to Sweden

Three Polish men sought political asylum in Ystad, south Sweden, after crossing the Baltic in a small yacht.

Long view

Nearly two thirds of white South Africans believe there will never be a black majority rule in their country, an opinion poll showed.

MARKETS

DOLLAR

New York luncheon: DM 2.655

PF 5.103

SwF 2.1765

YC 14.475

London: DM 2.658 (same)

PF 5.111 (8.10)

SwF 2.1785 (2.185)

YD 13.60 (21.54)

Dollar index 131.3 (131.1)

Tokyo close Y216.10

U.S. LUNCHTIME RATES

Fed Funds 7.5%

3-month Treasury Bills: 7.20%

Long Bond: 100%

yield: 10.50

GOLD

New York: Comex Dec. latest

SI 30.4

London: \$326 (same)

Chief price changes yesterday. **Back Page**

BUSINESS SUMMARY

Daimler set to buy into AEG

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

REPRESENTATIVE Ronald Reagan yesterday hailed the U.S. "miracle" mid-air capture of four Palestinian hijackers over the "Mediterranean" as showing terrorists everywhere that "you can run but you can't hide."

In his first public statement following the interception on Thursday night by U.S. fighters of a chartered Egyptian Boeing 737 carrying the hijackers, Mr Reagan said the U.S. had acted alone without informing Egypt or Italy in advance.

The fighters forced the Boeing to land at the U.S. Sigonella base in Sicily. In a bid to repair strained relations with Egypt, which yesterday expressed surprise and regret over the U.S. operation, Mr Reagan played down the differences between Washington and Cairo and said he hoped that a single disagreement would not damage the firm friendship between the two countries.

An elated U.S. general public and politicians from both major parties acclaimed Mr Reagan's action as finally showing that the U.S. was able and willing to take a tough military stand against terrorism. It was "a major triumph for the United States," said Democratic Senator Patrick Leahy, vice-chairman of the Senate intelligence committee.

Mr Larry Speakes, the White House spokesman, stressed that "no shots were fired" during the interception. "It was a successful outcome. It was just

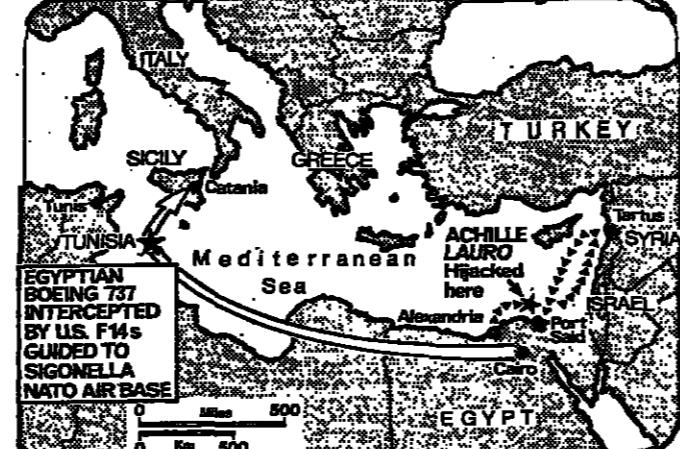
the right application of U.S. penalty, and in the U.S., which does.

As Italian authorities began questioning the hijackers yesterday, Washington said that the U.S. would pursue a request for their extradition to stand trial for the murder of an American passenger abroad the cruise ship Achille Lauro, which the hijackers took over off Egypt on Monday and held for two days before surrendering in Port Said.

The White House added, however, that the U.S. was willing to let Italy try the four Palestinians and would only press its case "if the matter is disposed of legally in Italy."

Mr Reagan said that it was

possible that the hijackers could be tried both in Italy, which does not have the death



Map showing the route of the Egyptian Boeing 737 and the interception by U.S. F-14 fighters.

in the right application of U.S. penalty, and in the U.S., which does.

If extradited, the hijackers would be tried for murder in the U.S., while they would be charged with piracy in Italy.

Mr Reagan said that the U.S. Government had not sought the help of Italy or Egypt in the operation knowing that there must be "no leak of any kind" of the top secret plans, to which he gave the go-ahead on Thursday afternoon as he returned from a trip to Chicago.

Mr Reagan said he had chosen to act because the mission had been "possible." The problem in the past when the U.S. had not used military force against terrorists had not been a "lack of will," he said.

Continued on Back Page

Lure for hijacker, Page 2

points higher than the previous peak reached in January. On the week the index was up 11. **Page 12**

BUILDING SOCIETY receipts in September were £200m below target at £597m. **Page 4**

ANNUAL INFLATION rate fell below 6 per cent for the first time since February. **Back Page**

ZINC PRICES in London fell to the lowest level for 28 months as a new round of European producer price cuts began. **Page 11**

LLOYD'S insurance market row is set to break out over an imminent settlement between the community and the Inland Revenue over £100m of disputed tax liabilities. **Page 4**

CAMPAIGN to raise up to £6m to build a fixed link across the Channel began in earnest. **Back Page**

PRESIDENT REAGAN nominated Wayne Angell, an economics professor, banker and farmer, and Manuel Johnson, assistant treasury secretary, to be governors of the Federal Reserve, the U.S. central bank. **Back Page**

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OVERSEAS NEWS

Temptation of success still lures the hijacker Italy says it will put cruise liner terrorists on trial

"FROM the halls of Montezuma to the shores of Tripoli..." President Ronald Reagan's order to intercept the aircraft carrying the Palestinian hijackers of the cruise ship Achille Lauro has deep roots in American tradition.

The words of the U.S. Marines anthem commemorate first the intervention in Mexico in the mid-19th century in an assertion of the Monroe Doctrine and, second, rather more creditably, the actions taken by the American Navy shortly after the Napoleonic wars against the pirates of the Barbary Coast.

A consensus amongst civilised trading nations more or less eliminated piracy in a matter of a generation. Under the legal principle of *contra bonum commercii*—against the good of humanity—it was accepted that those who hijacked vessels on the high seas could be arbitrarily hung. The wholesale acceptance and application of this early precept of international law worked wonders.

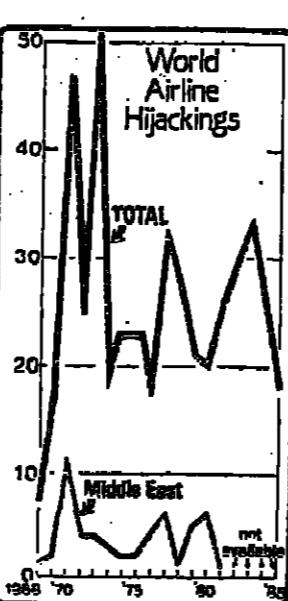
The effectiveness of the concerted crackdown on piracy over 150 years ago and subsequent complacency about the merchant marine in times of peace could be said to have made possible the seizure of the Italian vessel.

Since 1931 there have been 221 hijackings of airline flights, according to the count of the U.S. Federal Aviation Authority. As a result there has been progressive tightening of security together with the implementation of much tougher laws internationally for air piracy.

The first real spate of hijackings came in the 1947-8 period as people sought to escape from Communist countries freshly submitted to the yoke of the Soviet Union, the first of them being a Romanian internal flight diverted to Turkey.

These hijackers were normally acclaimed by the media and their acts not in any way condemned as criminal, a official of the International Air Travel Association recalled yesterday. Historically, he estimated, Lot, the Polish carrier has been the most hijacked airline, probably followed by Andean.

Hijacking then became a Cuban speciality with the first actual seizure of an internal flight and its diversion to the



BY RICHARD JOHNS

U.S. actually occurring in 1953 under the Batista regime before Fidel Castro took power.

Thereafter, airliners were seized not only by Cubans fleeing from the Castro regime but Cubans seeking the quickest possible route to their homeland when after the Bay of Pigs adventure of 1961 direct air communications to the island were halted.

It was shadowed by U.S. military aircraft not the least because there were 42 American citizens aboard. The ship anchored 50 miles off Recife and after negotiations with Brazilian authorities the pirates were accorded asylum, having obtained maximum publicity for their anti-Salazar protest.

Curiously, given the country's unrelenting fight against "terrorism," the Israeli Government was responsible for the first hijack by the movement as a whole, when its gunmen directed El Al 707 to Algiers in July 1970.

It was responsible for most of the early operations including the most momentous of all—the multiple piracy in September 1970 which triggered off the Jordanian civil war.

In retrospect, it is interesting to recall that the original attempt to hijack three aircraft simultaneously was, like many of these early Palestinian terrorist operations, a protest. It was the failure to commandeer the El Al flight and the detention in London of Leila Khaled which led to two subsequent hijacks, the threat to passengers held hostage and the eventual blowing up of three aircraft.

In December 1954 five members of the Israeli Defence Force were captured in Syrian territory wire-tapping the telephone network. The following day a Syrian civilian aircraft was intercepted by Israeli fighters after taking off from Damascus and forced to land at Lod airport where its passengers were held hostage under interrogation for 48 hours before they and the aircraft were released.

Mr Moshe Sharret, the then Prime Minister, was less than happy by the initiative taken by his free-wheeling Minister of Defence, Pinhas Lavon, and Chief of Staff, Mr Moshe Dayan. He observed that they seemed to presume that the state of Israel may even must behave in international relations according to the law of the jungle.

One can only speculate how

he would have viewed the wholesale destruction of Middle East Airlines fleet at Beirut airport at the end of 1968 and the diversion to Israel of an Iraqi Airways flight in August 1973 in a bid to capture Dr George Habash, leader of the Popular Front for the Liberation of Palestine. He was not on board but the operation caused a UN Security Council censure.

The PFLP, developed this form of terrorist violence on the Palestine side. Dr Habash's group was responsible for the first hijack by the movement as a whole, when its gunmen directed El Al 707 to Algiers in July 1970.

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The Kuwaiti aircraft is still sitting on the tarmac in Tehran, a subject of an insurance dispute, but the 17 bombers of the U.S. and French embassies are still in gaol in the Gulf state.

The Israeli prisoners whose freedom the Shiite captors of the TWA flight sought were released and it is not possible to believe that there was no connection between their return to Lebanon and the freeing of the passengers. But resistance to blackmail is getting the upper hand over capitulation.

In the end, the Italian Government prevailed. This puts

Italy in what one official privately called yesterday "the eye of the storm." We have to face up to our responsibilities—something we don't always like doing."

The Craxi Government appeared to have had little choice in insisting on taking custody of the terrorists. Their offence was committed on an Italian ship on the high seas, that is, on Italian territory.

Furthermore, Italy had on Thursday made clear its intention to hand the men over, if it was confirmed that they had murdered Mr Leon Klinghoffer.

After the initial rejoicing at the surrender of the terrorists on Wednesday, the Italian Government became increasingly conscious of U.S. anger at the murder of Mr Klinghoffer, of which the captain of the Achille Lauro only informed the Government some hours after the departure of the terrorists.

The Minister said there had been no prior negotiations with the U.S. and that no Egyptian military personnel were on the aircraft.

The Government also faced

craft at Dawson's Field, Jordan and one at Cairo Airport.

Al Fatah, the mainstream of the Palestine Liberation Organisation, generally regarded hijacking as counterproductive in terms of the Palestinian cause. At least one, the affair of a Sabena airliner to Lod in May 1968 where the terrorists bargained the lives of the passengers for the release of 106 prisoners, was the work of Black September. Al Fatah's terrorist cell in the 1971-74 period.

That year saw the peak in the

number of hijacks with a total of 51, only four of which were in the Middle East, according to the figures of the FAA.

The subsequent reduction was very much the result of the much tougher security in response to the early Palestinian operations.

Yet a new chapter of the saga inevitably emerged from the Lebanese civil war with the hijacking of the Kuwaiti Airways airliner to Tehran last December and then in June this summer the 17-day cliff-hanger of the TWA 727 at Beirut Airport.

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The Government also faced

itself open in the risk of reprisal attacks.

At present there are at least 10 Arab terrorists awaiting trial in Italian prisons. Of these, some were arrested earlier this year for trying to blow up the U.S. Embassy in Rome.

Italy has already received

threats in connection with the

terrorists that it holds.

By taking on the four men

responsible for the Achille Lauro hijack Italy is laying

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OVERSEAS NEWS

China tells Abe trade imbalance must be halted

BY OUR PEKING CORRESPONDENT

THE CHINESE leadership told Japan yesterday that Peking could not accept another large trade deficit next year and sought assurances that there would be no revival of Japanese militarism.

According to Japanese officials, Deng Xiaoping, the Chinese leader, told Mr Abe, the Japanese Foreign Minister, who arrived in Peking yesterday for extensive talks, that another big deficit would face China with the prospect of debts on Latin American scale. Wu Xueqian, the Chinese Foreign Minister, called on Japan to honour its promise not to become a major military power again.

Japanese officials said that Mr Abe gave Wu this assurance, but the exchanges highlighted the fact that Mr Abe has arrived in Peking at an awkward time for the inauguration of what is intended to be an annual event to strengthen relations between the two countries.

China's trade deficit with Japan has risen from \$1.25bn (£886m) in 1984 to \$2.84bn in the first half of this year, and Japanese officials said that Deng's remarks were understood to mean Japan was expected to balance its trade with China next year. China apparently plans to strictly control imports of Japanese electrical appliances and motor vehicles and is seeking to maintain exports of oil and coal to Japan.

Mr Abe is understood to have replied that it might be difficult to sustain these imports but that Japan would "make efforts at least to maintain the status quo".

Both sides have a long list of trade complaints against each other. The Japanese are concerned by delays in contract payments, restrictive technology import regulations and tighter control over imports generally. The Chinese are perturbed by Japanese exports of allegedly defective goods and the apparent reluctance of Japanese companies to export much-needed high-technology, in addition to the hefty trade surplus in Japan's favour.

Fears among some Chinese over a revival of Japanese militarism has been shown publicly in recent weeks, with several anti-Japanese protests in the wake of lavish celebrations to mark the 40th anniversary of the end of World War Two—what is known in China as "the anti-Japanese war".

For some Chinese old enough to have experienced the brutal Japanese occupation, relations



Shintaro Abe—under pressure

between the two countries have become uncomfortably close, and for them the Japanese will always be "Riben Gui—Japanese Devils."

For a majority, however, time has been a great healer, and the material benefits of developing a closer relationship are widely seen. Japan is China's prime trading partner, and there are almost daily diplomatic and cultural crossings of the waters between Peking and Tokyo.

Nevertheless, political observers in the Chinese capital stress the ambivalence of Chinese regard for Japan, with its strong undercurrent of anti-Japanese sentiment. Much is left unsaid, but the Chinese are sensitive, one Western diplomat pointed out.

The war anniversary fanfare, not unexpectedly, drew some of that latent bitterness to the surface. For instance, at the height of the anniversary, the Chinese news media carried daily accounts of Chinese heroism in the face of the "Japanese invaders."

The emotional subject of the recent visit by Mr Yasuhiro Nakasone, the Japanese Prime Minister, to Japan's Yaukuni war shrine was raised by Vice-Premier Li Peng.

Mr Nakasone's pilgrimage particularly annoyed Chinese officials at the time and prompted a public outcry by Peking University students, who staged a protest march against "Japanese militarism" and condemned the so-called "invasion" by Japanese goods of China's markets.

Mr George Bush, the U.S. Vice-President, left for China yesterday for an official visit. Reuter reports from Washington. He is due to arrive in

ANC meets white opposition leader

By Peter Waldmeir in Lusaka

MR FREDERIK van Zyl Slabbert, leader of South Africa's white parliamentary opposition, Progressive Federal Party (PFP), arrived in Lusaka yesterday, and held an informal meeting with an official of the African National Congress, the leading nationalist movement fighting white rule.

The meeting is in advance of today's unprecedented joint talks on ways of ending Apartheid in South Africa.

The PFP delegation to the talks would include the Durban MP, Mr Peter Gastrow, the PFP foreign affairs spokesman Mr Colin Eglin, and another MP, Alex Boraine.

The fact that the ANC delegation would not include the ANC president, Mr Oliver Tambo, who is currently out of the country, appeared to be a deliberate snub to Mr van Zyl Slabbert, whom the organisation has sharply criticised as too moderate. It was not known which ANC officials would meet the PFP group.

Asked what he hoped to achieve through the talks, believed to be the first between the PFP leader and the ANC, Mr van Zyl Slabbert said: "We're here to talk. That's already an achievement."

Mr van Zyl Slabbert has in the past publicly offered to act as a mediator between South Africa's President P. W. Botha and the ANC.

The PFP leader's participation in the talks, which it is understood were sought by him, appears to be an attempt to show that he is the one white leader in South Africa with enough credibility to talk to both moderate blacks, such as Chief Gatsha Buthelezi, and the more radical ANC.

It was understood in Lusaka, the ANC headquarters, that the main focus of the talks was likely to be an exchange of views on holding a national convention.

Zambia devalues Kwacha by 56%

The Zambian currency, the kwacha, has been effectively devalued by 56 per cent as part of an economic recovery programme announced last week by Zambia's President Kenneth Kaunda.

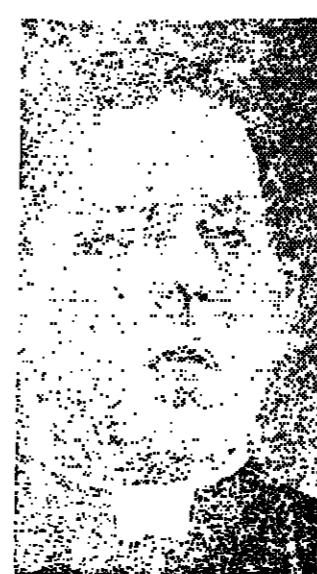
A new rate was set for the kwacha yesterday at the first of the recently announced weekly foreign exchange auctions. The value of the kwacha dropped to 5.01 against the dollar from 2.2 against the dollar, the rate when foreign exchange transactions were suspended late last week.

Christopher Bobinski looks at the clash of wills focused on tomorrow's Polish election

Solidarity set to monitor poll boycott



Gen. Jaruzelski, Poland's military leader (left) has implicitly appealed to the country's priests and bishops to vote in Sunday's election. The powerful Catholic Church under Cardinal Jozef Glemp (right) has sought to steer a neutral course between Solidarity's call for a boycott and the Government's attendance plea.



towards "social parasites" alcoholism or even putting an end to private practice by doctors, have reflected the concerns of the party activists.

Elderly people have also turned up in force, often making a case for an increase in their inflation-eroded pensions.

In his only election speech on Wednesday, Gen. Jaruzelski sought to answer these concerns. Hitting the populist note with which the Government always seeks to defuse undercurrents of discontent among its own activists and in society at large, he promised a crack-down on speculation, on the work-shy, and on the spread of alcoholism. Pensioners, too, were promised a payment rise.

In a rare concession to Roman Catholic feeling, the general admitted that Poland has a Christian past and at present a Catholic majority. In the same breath he implicitly appealed to the priests and bishops to vote.

The introduction of a choice, however small, is a concession to democratic aspirations, and party leaders have hinted that more far-reaching changes might be forthcoming at the next elections in four years.

For the foreseeable future, the political initiative is still very much in Gen. Wojciech Jaruzelski's hands. For many people, boycotting the polls would thus be a risky and unnecessary open demonstration of opposition.

Some fear that a failure to have their names ticked off the voters list could result in the loss of a passport for foreign travel, extra checks by the tax office, or the loss of a place for a child at university.

By calling for a boycott, solidarity is appealing to its most determined supporters, but it doesn't stand much chance of getting support from those who are "lukewarm", a former senior official observed. "If they had merely told

people to go to the polling stations and put empty envelopes without the ballot paper into the boxes, thereby abstaining anonymously, then the support would be very much greater."

The result is important for both sides. For the Government it will provide arguments to Eastern neighbours, to the Soviet leadership, and to the West, that Gen Jaruzelski is in control. The Government is keen to improve relations with the West albeit on its own terms.

For the Solidarity opposition, the turnout is a measure of its own support. Indeed, the counting effort itself will help to pinpoint its strongholds. During the local council elections last year, concrete Solidarity estimates of voting figures were obtained from the larger cities of Warsaw, Krakow, Wroclaw and Gdansk, but few other places.

Thus, and the voting pattern emerging even from the official figures, would confirm that Solidarity retains active support in the more anonymous big cities and especially among the working class in the larger factories.

It is weaker in the countryside and the small towns which make up most in the country.

In an attempt to break up this support, the authorities organised an ambitious election campaign. Candidate, even some of the more elevated ones, have been profiled on TV with rare glimpses of their private lives. They have attended many meetings and answered questions from the floor in a style at time faintly reminiscent of Western politicians.

Admittedly, attendance at these meetings has been bolstered by party activists who are told to come and the chairmen have, in Warsaw at least, kept an eye on those whom they call to speak from the floor.

But some issues, such as the threat from pollution to the environment, have come through with great force.

Others such as hard-line calls for a toughening of policy

to abstain or vote against government proposals.

The powerful Catholic Church has sought to steer a neutral course between Solidarity's call for a boycott and the Government's urging attendance on the day. No statements either way have been forthcoming.

A boycott call might have been expected from the dissident St Stanislaw Chudzinski in Warsaw where the murdered priest, Father Popieluszko, worked. But even there, sermons have been studiously mild.

Cardinal Jozef Glemp, the Polish Primate, will be in Rome on polling day, and he has no doubt left it to the individual priests and bishops to make up their own minds whether they want to vote.

This is what his predecessor, Cardinal Stefan Wyszyński, did, and he himself in recent years has never voted. The example will be a powerful one for many clergymen.

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No woolly thinking here.

Elders IXL

THE AUSTRALIAN FOR LARGER

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UK NEWS

Row looms at Lloyd's over tax settlement

BY JOHN MOORE, CITY CORRESPONDENT

A ROW is set to break out in the Lloyd's insurance market over an imminent settlement between the community and the Revenue over £100m of disputed tax liabilities.

It is believed a settlement plan will be presented by Mr Peter Miller, chairman of Lloyd's at a meeting of underwriting agents in the market on Monday. Some underwriting members are believed to be concerned that they had not been consulted about any future settlement.

The settlement follows one of the most extensive investigations by the British tax authorities into the affairs of a big financial institution.

The settlement appears to centre on a one-and-a-half-year payment of up to £100m by the market's underwriting members for tax arrears.

There are worries that any "blanket" settlement will be difficult to implement on a market-wide basis in a way which ensures all underwriting members bear the correct amount of tax.

The Special Investigations Unit of the Inland Revenue has been probing the affairs of Lloyd's underwriters for more than a year in an effort to trace sums of money which should have been declared for tax purposes. The investigation followed the failure of negotiations between Lloyd's and the Revenue after the emergence of a series of irregularities in the market at the end of 1982.

Revenue officials have been studying various insurance arrangements at Lloyd's in an attempt to establish whether they have a proper insurance purpose or are designed to avoid tax.

Beckett members offered plan to help meet losses

BY JOHN MOORE

TWENTY-SEVEN LLOYD'S underwriting members whose affairs were once managed by the troubled Richard Beckett Underwriting agency company have been offered a scheme which will help them meet their share of £130m of losses.

The members concerned are those with the Beckett agency, who had taken out insurances to protect themselves against onerous losses and later found that the wordings on the policies prevented them from collecting insurance claims.

The affected members, who were hoping to collect on their policies to pay the insurance claims now falling on them, have been offered a plan which will provide them with equivalent financial benefit.

The plan was outlined yesterday in a letter sent by Additional Underwriting Agencies Number 3, the newly formed agency largely financed by Lloyd's, which is managing the affairs of the members of the Beckett agency.

JWT wins BT's £14m advertising campaign

BRITISH TELECOM has transferred its £14m-a-year campaign to stimulate telephone calls to J. Walter Thompson, the advertising agency, in what is believed to be the biggest single account move this year.

For 15 years the account had been with KMP Advertising, which was responsible for "It's for you-hoo" campaigns. It is the largest single product campaign to be run in Britain and compares with the £7m campaign for Guinness.

The JWT campaign, to be run nationally from October 20, features animals such as camels, rhinos and ostriches "talking" on the telephone. The slogan will be: "For all things great and small—make that call."

Stimulating telephone use, which is fairly low in Britain, is one of BT's main objectives.

Residential customers in the US make three times as many calls as those in the UK.

Calculated that if every residential subscriber made one extra trunk call a week its profits would rise by £350m a year.

BT has conducted detailed market research into telephone habits on both sides of the Atlantic.

Christopher Parkes looks at the plight facing subcontractors in the construction industry

Plant hire companies look to the day when the earth moves

BRITAIN'S plant-hire industry may perhaps be forgiven for turning to temptation.

Lured by lavish discounts from heavy equipment manufacturers and the half-promises of better times as capital allowances are phased out by the end of next year, they have been spending heavily on cranes, bulldozers, earthmovers and diggers.

The trouble is that demand for digging, scraping, shoveling and lifting stubbornly refuses to rise.

In theory the future seems quite bright. Large construction companies are expected to slim down their heavy equipment fleets and turn more to the hire industry as they lose the right to write off the entire cost of capital equipment in the first year.

They are also becoming increasingly cost-conscious and the big civil engineers especially are subcontracting more heavy work. All of this is leading to a shift which could increase plant hire's share of the market from the present level of about 25 per cent.

BET, the international ser-

Shortfall in building societies' inflow

By Clive Wolman

THE inflow of funds to the building societies from investors in September reached only £597m, which was £20m below their original target and £29m below last year's figure for September.

But figures released yesterday by the Building Societies Association show that most of the shortfall from the societies' traditional sources was made up by the funds they raised from the wholesale money markets. The net inflow from this source reached £256m in September.

This month there is likely to be a further increase in funds from this source as the building societies are allowed to tap the Eurobond market for the first time.

Mr Richard Weir, secretary general of the association, said yesterday that the figures were "mildly disappointing" but added that in the first week of this month there had been an upturn in the inflow of funds from investors.

At the beginning of the year, the association set a target of £800m a month for the net inflow of funds from investors. But although this target has not been met since January, there has been no shortage of funds for mortgages.

This is partly because the societies have run down their more liquid assets, cutting their liquidity ratio from 18 per cent on a seasonally adjusted basis last December to 17.6 per cent in September.

In September, the societies' new mortgage lending (after the deduction of repayments) fell to £1.073bn, the lowest figure since February.

Banker warns societies on lending

By Clive Wolman

BUILDING SOCIETIES were in danger of racing into the unchartered minefield of unsecured lending when they acquired power under forthcoming legislation, said Sir Paddy Gire, a National Westminster Bank director.

"After deregulation, skill will need to be learnt, but at what cost? There is a clear case for caution here," he told a City conference on building societies, organised by Phillips & Drew, stockbrokers.

Mr Gire is responsible for UK retail banking. He warned societies the banks did not intend to evacuate their old markets. "The building societies would ignore this at their peril," he said.

He said that if societies became banks in all but name, they should be supervised by the Bank of England, like banks. They are the responsibility of the Chief Registrar of Friendly Societies, a Treasury official.

Mr Gid Gray, a Phillips & Drew analyst, endorsed last week's warning by the registrar that societies would need more capital if they wanted to engage in riskier activities like unsecured lending.

Extensive legal action is in preparation by more than 300 members who are arguing that their affairs have been mismanaged in the past.

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Mr Peter Tueman, Phillips & Drew analyst, discussed whether societies would find it profitable to compete with the banks' chequeing facilities and money transmission services.

Mr Roy Cox, Building Societies Association chairman, expected societies facing the most competitive pressures because of deregulation would be middle-ranking ones, the largest 20 outside the top 10. Most would have to seek merger partners.

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THE CONSERVATIVES AT BLACKPOOL

REPORTS BY IVOR OWEN AND LISA WOOD. PICTURES BY ASHLEY ASHWOOD

Thatcher demands people's crusade against violence on British streets

A "good neighbours" crusade against violence on the streets of Britain was called for by Mrs Margaret Thatcher, the Prime Minister, when she wound up the Conservative conference at Blackpool yesterday.

Mrs Thatcher refused to accept that the high level of unemployment justified a change in economic policy or provided an excuse for law-breaking. This was endorsed by an enthusiastic audience who were subjected to security screening before entering the hall.

They rounded off an eight-minute standing ovation by acknowledging Mrs Thatcher by a party leader by chanting "10 More Years".

Mrs Thatcher, weaved the excesses of the miners' strike and the encouragement given by left-wing extremists to those who defied the law and impugn the police into a blanket condemnation of the Labour Party and the "craven" attitude of its leader, Mr Neil Kinnock.

Her only indication of being aware of the pressures being exerted by some leading members in the Conservative ranks for more expenditure to be provided for capital projects — articulated afresh by Mr Peter Walker, the Energy Secretary, on the eve of her speech — was the blunt reaffirmation "We will not reflate."

Mrs Thatcher said other governments had deliberately created inflation in the hope of reducing unemployment and had always finished up with worse inflation and worse unemployment.

"You cannot build a secure future on dishonest money," she said.

Mrs Thatcher carefully avoided identifying the politicians who she said, along with some pollsters, were suggesting that the British people would prefer more inflation and less unemployment.

"You cannot choose to have either inflation or unemployment. They are not alternatives."

She made her call for a community response to violence on the streets after accepting that people throughout the country were rightly concerned about security in their own homes.

"We utterly condemn anyone and everyone who takes part in riots in Britain," she said. "Whoever these people are

who riot, burn and murder — wherever they are organised by — there is no excuse, no justification whatsoever for such crime and vandalism."

To sustained applause, Mrs Thatcher promised: "Those who take to the streets on the first available pretext, to fire, loot and plunder, will be subject to the full rigours of the criminal law."

Recalling that in Tottenham and Handsworth the police were subjected to a hail of bricks and petrol bombs, apparently ready to hand, she said one of the delegates at last week's Labour Party conference had been loudly applauded when he called the police "the enemy".

She maintained that the overwhelming majority of the British people regarded the police as friends, admired them and were deeply thankful for their courage and that of their families.

Mrs Thatcher said it was not the police who created threats to public order — all too often, as had been seen only too tragically at Tottenham, they were its victims.

"Nor is it social conditions that generate violence. Yes, unemployment breeds frustration, but it is an insult to the unemployed to suggest that a man who does not have a job is likely to break the law."

Mrs Thatcher emphasised that the overwhelming majority of British citizens — black or white, in or out of work, living in the suburbs or city centres — chose to respect the law and would have no truck with crime masquerading as social protest.

Promising that the Government would continue steadfastly to back the police, Mrs Thatcher said: "If they need more men, more equipment, different equipment, they shall have them."

"We do not economise on protecting life and property. She also promised the Government would oppose politicians, national or local, who wanted to interfere in the operational independence of the police.

Underlining the role of neighbours, she said upholding the law could not be left to the police and the courts alone.

"We are all involved. We cannot pass by on the other side."

She said the hard left had been operating within the political system and conspiring

through union power or local government to break, defy and subvert the law.

"Because the Labour Party will not expel these people, a unique responsibility is placed on today's Conservative Party and Government."

"We have to conserve the rule of law itself, conserve it for people of all parties and of none."

She described this as the overriding duty of the party and said success would require the co-operation of every law-abiding citizen. No one could opt out.

She said that Labour's policy on the trade unions would lead to the "barons of the block vote" having their feudal powers restored.

Labour policies, she said, would result in the pension and insurance fund money of some 12m people being hijacked and there would be the usual mish-mash of higher taxes and higher borrowing.

"Back to a high tax society. Back to the old days of inflation by social contract. Back to rule by Congress House when the Labour Party was a wholly-owned subsidiary of the unions."

She asked: "What do you think would have happened if Mr Scargill had won? I think the whole country knows the answer — Neil would have knelt."

She said Mr Neil Kinnock, the Labour leader, had not shown courage in making a speech at Bournemouth last week attacking Mr Arthur Scargill, the NUM president, long after the event.

To a roar of approval she said: "Courage is what you show in the heat of the battle — not at the post-mortem." Real courage had been shown by the working miners, the working lorry drivers and the working railwaymen and by the working steelmen and the working dockers — the very people the Labour Party disowned.

"Our wish is to see substantial reductions in nuclear weapons, provided they are balanced and verifiable."

Expressing confidence in the way President Reagan will conduct his meeting with Mr Gorbachev at the Geneva summit, she said: "The West can have no better or braver champion."

Mrs Thatcher gave these objectives for the next decade — a Britain where three out of four families owned their home; where owning shares was as common as having a car and where families had a degree of independence their forefathers could only dream about.

She also envisaged a Britain where there was a resurgence of enterprise, with more people self-employed, more businesses and more jobs.

Archer hits at policy presentation

MR JEFFREY ARCHER, the new deputy chairman of the Conservative Party, yesterday attacked the presentation of his party's policies in an interview in the latest issue of the *Crusader*, the journal of the Greater London Young Conservatives.

Mr Archer was quoted as saying: "I'm unpaid. I am the senior volunteer in the party, so I can say what I like and if I am sacked then I go back to a film-a-year job as a writer."

He went on: "That's the problem. They are making damn good cars but they are not telling the people what they've achieved."

"Look at inflation, we can forget it. Old-age pensioners are now collecting their pensions without fear of 10 per cent inflation."

"We forget to tell people. We just tick it off as an achievement and we wallow behind the unemployment figures as our big failure. The unemployment figures are not good and something had better be done about them by the next election."

Earlier in the article Mr Archer was quoted as saying: "There is only one long-term priority and that's to win the general election. That's the only priority, every single thing we do has that in mind."

PM's speech 'empty of hope'

MR NEIL KINNOCK, the Labour leader, told a meeting of his Iswyn constituency party last night that the Prime Minister's speech had been "empty of content and empty of hope".

According to the Prime Minister, in yet another invidious comparison with Labour, "we in our party really like one another."

He did not enlighten us on whether the same could be said of Jeffrey Archer's occupancy of the deputy chairmanship.

Outside in the streets things were less certain. A pro-Maggie crowd at the entrance to the hall sang Rule Britannia. A few streets away the Right-wing demonstrators marched to the chant of "Maggie out".

John Hunt

Warning to unions over rights of members

ANY ATTEMPT by trade union leaders to return to the role of dictators will bring new legislative safeguards for their rank and file membership. Mr Kenneth Clarke, the Paymaster General, assured the conference.

Making his debut as a Cabinet Minister and chief spokesman for the Department of Employment in the Commons, he confirmed, that the Government would not be rushing into legislation to impose fresh curbs on the trade unions.

He insisted that the democratisation of the trade unions, through the statutory requirement for ballots to determine decisions on strikes, and other issues would prove beneficial.

Mr Clarke said: "If Scargill and Todd and their like think they can hold back the tide of democracy in their unions, they are as foolish as King Canute."

"They can't. In our open and free society the ballot box must be here to stay in trade union affairs."

He stressed that if the balloting provisions were undermined or side-stepped action would be taken to mobilise public opinion through the publication of green (consultative) and white papers.

Mr Clarke said: "If we will not shrink from introducing further legislation to protect and maintain the rights of individual trade unionists within their trade union movement."

He ignored a call from Mr Alan Paul, chairman of the Conservative trade unionists, for "fine tuning" to rule out workplace ballots and require that they should all be conducted by post.

Mr Clarke, who pointedly referred to Lord Young, the Employment Secretary, as his new colleague rather than his political boss, said the Government was happy to work reasonably with genuinely democratic trade unions responsive to their individual members.

He accepted a motion urging other areas in the trade union movement which could be made more democratic, but suggesting that no new measures be introduced to lessen individual employment protection.

He explained that the Government had no intention of eroding the legal protection of individual workers, so long as its retention did not damage new job opportunities.

He cited the promised legislation to reform wages councils — to be introduced in the parliamentary session opening next month — as an example of this approach.

For every young worker wages councils might in the future assist, he said, they actually produced several out of jobs.

Miss Lesley Fields, of the Transport and General Workers' Union who opened the debate, argued that legislation was needed to prevent union officials being able to hold positions for life. To applaud, she said: "We have already seen far too much of Scargill."

Mrs Angela Bentham, from Preston, a member of the National Association of Local Government Officers, criticised the Government for denying trade union membership to staff at GCHQ, Cheltenham.

She said: "This Government cannot condone a situation where moderate people can say that they enjoy more personal liberty and individual freedom under a Labour Government than a Conservative Government."

When asked in the interview about recent criticism of the presentation of government policies, Mr Archer was quoted as replying: "It's been pathetic hasn't it? It wouldn't buy a used car from this government would you?"

He went on: "That's the problem. They are making damn good cars but they are not telling the people what they've achieved."

"Look at inflation, we can forget it. Old-age pensioners are now collecting their pensions without fear of 10 per cent inflation."

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PM's speech 'empty of hope'

As he said in the interview: "I am the senior volunteer in the party. So I can say what I like and if I am sacked then I go back to a film-a-year job as a writer."

In any case, this latest slip-up did not seem to have much effect on his reception in the hall. With all his old bounces he ruthlessly hijacked the conference audience by demanding that everyone produce a £5 note to donate to party funds and wave it above their heads. Thus shamed into acquiescence, they dutifully obeyed.

According to the Prime Minister, in yet another invidious comparison with Labour, "we in our party really like one another."

He did not enlighten us on whether the same could be said of Jeffrey Archer's occupancy of the deputy chairmanship.

Outside in the streets things were less certain. A pro-Maggie crowd at the entrance to the hall sang Rule Britannia. A few streets away the Right-wing demonstrators marched to the chant of "Maggie out".

John Hunt



Mrs Thatcher acknowledges the applause for her speech: from left, Sir Geoffrey Howe, Lord Whitelaw, Norman Tebbit and Dennis Thatcher

Peter Riddell on the debates' subdued tone
Party unites to achieve main ambition of limiting damage

IT HAS been a party manager's conference and Chief Whip's conference. Apart from Mr Peter Walker's annual raising of the flag of dissent on the fringe, there has been little to do in the evenings, apart from a few performances in the bars and corridors of the headquarters Imperial Hotel. As Mr Lawson for once, did well, showing that he cared about preparing for his conference speech and avoiding the considerable criticism which undoubtedly would have resulted if he had failed again. Mr Leon Brittan, apparently somewhat to his surprise, was given a standing ovation not only for a good speech but perhaps as a sign of sympathy for his abrupt move in last month's reshuffle.

Mr Kenneth Baker and Mr Kenneth Clarke, newcomers to the Cabinet, also turned in solid performances. And Mr Lawson for once, did well, showing that he cared about preparing for his conference speech and avoiding the considerable criticism which undoubtedly would have resulted if he had failed again. Mr Leon Brittan, apparently somewhat to his surprise, was given a standing ovation not only for a good speech but perhaps as a sign of sympathy for his abrupt move in last month's reshuffle.

The main loser, or rather fall-guy, has been Mr Jeffrey Archer, the new deputy party chairman. He is having to rediscover the hard way the difference between the aggressive salesmanship needed to promote his books and the subtler and more discreet talents of politics. His frank remarks last Sunday about some of the young unemployed getting off their backsides sent shudders through many senior Tories, even though privately many agreed with him.

Mr Archer's main job will be to enthuse the faithful at which he is very good. But he knows he will have to be more careful in his public statements, although in an earlier interview with a Young Conservatives paper published yesterday he said that if he were sacked he could go back to a film job as a writer.

Overall, the main immediate test for the conference will be what happens in the opinion polls. The repeated challenge from ministers to Mr Kinnock, to match his eloquent words with actions against the hard left, was a tribute to him. It showed that the Tories believe the Labour leader has made an impact. Of course the row over the Tottenham riot could now dent Labour's standing.

It is hard to see the Conservative conference as more than an exercise in damage limitation, with little positive impact after the successes of earlier party conferences this year, but that is better than the leadership had feared at one stage and they can look forward to the more normal conditions of Westminster, where they can try to set the agenda.

The irritated response to the speech yesterday from Mr Lawson showed that Mr Walker, in his next few weeks, will face a difficult time if he is to match his eloquent words with actions against the hard left. Until Thursday evening Mr Walker had had a poor conference, misreading the mood with his belligerent-looking speech bashing Mr Scargill. Mr Michael Heseltine, his Cabinet rival for the leadership of the traditional Tories, similarly did little to enhance his reputation.

The main gainer from the speech was Mr Douglas Hurd who showed considerable skill in a new Home Secretary in the battle for the leadership of the Conservative Party after the next election.

However, the rank and file do not believe that the Government's basic strategy is wrong. They are still at the stage of blaming presentation and were clearly reassured by the aggressive approach of Mr Tebbit in his two speeches as party chairman. He is looking for a strong lead, a clearer vision of where the Government is going and this was the aim of Mrs Thatcher's speech yesterday. The representatives could be more restless in a year's time if the party continues to do badly in local elections and parliamentary by-elections.

Judging by the comments of representatives they are uneasy but at present no more. They realise from canvassing in constituencies that Mrs Thatcher is unpopular with many previous supporters. In semi-detached houses whom Mr Walker 'escorted' as the Tory

symbolises, as does Mrs Thatcher, the values of suburban striving, disciplining and success which they share. The mood has undoubtedly been affected by the heavy security and the constant, largely unspoken, memories of last year's dreadful events at Brighton. Despite an ability to adapt to such precautions, representatives have tended to enhance his reputation.

The main gainer from the speech was Mr Douglas Hurd who showed considerable skill in a new Home Secretary in the battle for the leadership of the Conservative Party after the next election.

Under the Government's 1982 Derelict Land Act, local authorities are obliged to sell off their derelict land. Mr Waldegrave said that the Government had details of 120,000 acres of such public land, more than the area of the Isle of Wight. Most was in towns and 60 per cent was owned by councils, he said.

"So far we have got them to sell 20,000 acres and put another 6,000 back in use. It's not enough. If necessary we will get very much tougher." Many houses, he added, could be built on such sites.

After the debate, Mr Waldegrave confirmed that 50 orders to sell had recently been issued by the Department of the Environment to holders of public land and that he would like to see more.

He listed Conservative action on protecting the environment, including action on lead in petrol and acid rain. He said the public had the right, for example, to inspect registers, kept by water authorities, showing who was allowed to put waste into a river.

"If you don't like what you discover, you can now object to it. That is the principle I want to extend. I believe you do have a right to know who is doing what to your environment. We are at work now to see what

further steps we can take towards making this ideal a reality in law and practice and which does not make life impossible for industry."

He mentioned the London docklands as an example of successful inner-city renewal.

Turning to the countryside, Mr Waldegrave said that given surplus production of foods through intensive farming it

show that if you put private money and good design and planning on a human scale together, you can turn the tide in the cities.

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FINANCIAL TIMES

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Saturday October 12 1985

End of the season

IT MUST say something at least for the fluidity, but also for the liveliness, of British politics that all four parties in their different ways have enjoyed a successful conference. The Social Democrats, who started the season in Torquay, have shown that they have grown up: their conference was, bigger than before and the party looked less of a one-man band than it did a year or two ago. Dr David Owen, the SDP leader, is a formidable figure whom the other parties attack only with caution. He now looks as if he has a machine behind him.

The Liberals, who followed in Dundee, demonstrated that they are capable of controlling their wilder elements who have sometimes appeared like the left wing of the Labour Party without trade union support. The SDP-Liberal Alliance is intact and there may even be fewer policy differences between its components than within the Labour and Tory Parties.

In Bournemouth, Mr Neil Kinnock was a revelation as a Labour leader determined to lead. Mythology has it, not without some justification, that this is the last thing any Labour leader is capable of doing. Certainly the Tories do not seem to have taken on board the possibility that sea change may be under way. They spent much of this week in Blackpool admiring Mr Kinnock for the vigour of his speeches, while proclaiming that he would be unable to deliver.

For all that, the Tories too had a good conference, probably against the odds. They have spent much of the last two years down in the dumps, down in the opinion polls, down in the by-elections, down in the local elections, and seemingly fatally attracted to slip on any banana skin, even when it was open view. They looked tired.

Blackpool has been a stimulus. It is possible that there is something about the Tory psychology that requires a challenge in order to make an effort. The inner-city violence which has been going on intermittently throughout the conference season could have helped to produce it. Law and order is a subject on which the Tories, of all parties, cannot be seen to be deficient. A Tory government that fails to maintain order under the law loses a large part of its *raison d'être*.

There were other challenges that had to be met. The reshuffled Cabinet needed to assert itself: a new Home Secretary, a new Secretary of State for Trade and Industry, for Environment, for Employment and a new party chairman in Mr Norman Tebbit. In particular Mr Nigel Lawson, the Chancellor of the

Exchequer, who looks likely in 11 Downing Street for the duration of a Parliament, had to show that he knows what he is doing about the economy. Not least, the Prime Minister, who is 80 tomorrow, needed to demonstrate that she can still more than stand up to those in their 40s who lead the other parties.

By and large, the Tories pulled it off. The Chancellor set clear economic goals of lower inflation, reduced taxation and greater job creation. He will be judged by how far he achieves them. Lord Young, the Employment Secretary, explained the changing structure of the economy and the necessity of becoming more competitive. Mr Douglas Hurd emerged as a tough, but wise, Home Secretary, and one began to understand the move of his predecessor, Mr Leon Brittan, to Trade and Industry. Mr Hurd is better in public, and nowadays the Home Secretary is very exposed to the public view.

Mrs Thatcher said in her closing speech yesterday that it had been a "responsible" conference of people who know what it means to hold power. She had it about right, even if it has taken the Tories a couple of years to wake up since winning their overwhelming parliamentary majority in the last general election.

Key test

So now it is shortly back to Westminster. The much-heralded Tory new vision turns out to be very largely the old vision writ more clearly: competition, less government control and more private ownership, coupled with the continuing attack on inflation and the attempt to curb public spending. It appears to have been acknowledged that the message was not well explained before. In the next two years it is up to the Tories to emphasise the safety net for those affected by change as well as the incentives of a more entrepreneurial society, and to add a measure of awareness of social conditions to that rather stark phrase "the maintenance of law and order." The level of unemployment is still likely to be the key test.

Two years is a long time: too long for another outbreak of election fever. The Tories are the Government and should get on with their task. What has become clear in the last weeks, however, is that they have partially succeeded in educating the other parties into accepting that there are no simple solutions. British politics may be sadder than a few years ago, but also wiser. As for Labour and the Alliance, they have time enough in which to develop their policies.

NOT MANY of the City's top fund managers boast a background in geology or engineering, but by the end of this month almost all should be conversing fluently about the merits of lower chalk and reinforced cylindrical caissons.

Their sudden interest is not surprising. London's financial institutions will, in the next fortnight, be asked to lend their support to rival schemes for a fixed link across the Channel. Since the cost even of the cheaper scheme is estimated at over £2bn, mistakes about chalk, or caissons, would come easily.

The guts of the two proposals are contained in confidential information memoranda which have been circulated to institutions by the sponsoring groups. The Channel Tunnel Group — which is proposing to bore twin railway tunnels between Folkestone and Calais at a total cost of £2.36bn, at current prices — has distributed a 21-page document which is a model of precision about costs and revenues but scarcely alludes to the financing option.

It befits the more grandiose scheme, the rival Eurotunnel document is thoroughly lavish. With the assistance of artists' impressions and computer printouts, Eurotunnel explains in detail how it will raise — and then spend — approximately £4.6bn (current prices) which it will cost to build tubes and bridges connecting England and France. Allowing for inflation and interest costs this figure will rise to £6.6bn.

The greatest obstacle to one or other being built is no longer geological or political, but financial.

Applications to build the link must be submitted to the British and French Governments by October 31. If the schedule is adhered to, the winner will be announced in mid-January and the first spade could be sunk by autumn 1987. The timetable is tight — and for a good reason. Both countries are facing elections on which the jobs to be created by the link could have an important bearing.

Mrs Thatcher has promised M. Mitterrand that the winning scheme will be announced before the French parliamentary elections next spring. And the British Government is only too aware that the next General Election campaign may be getting into full swing just as construction begins.

So financial institutions on both sides of the Channel will be under considerable political pressure to support the scheme. Bringing the French financial

community into line is probably the lesser challenge, since the principal sponsors are state-owned banks. In London, the fixed link groups — and by implication the Government — face more of an uphill struggle. Four schemes are expected to be presented on October 31, but only two — Eurotunnel and Channel Tunnel Group — are likely to carry much weight.

The financial assumptions and forecasts are bewilderingly complex in each case, but can be summarised as follows:

Eurotunnel: Led in the UK by Trafalgar House, Eurotunnel envisages a four-stage financing programme. Stage one costs, to finance the initial research and development work, have already been met by the consortium partners. Stage two, which will run from early next

Mrs Thatcher has promised
M. Mitterrand
that the winning scheme will be announced before the French elections next spring

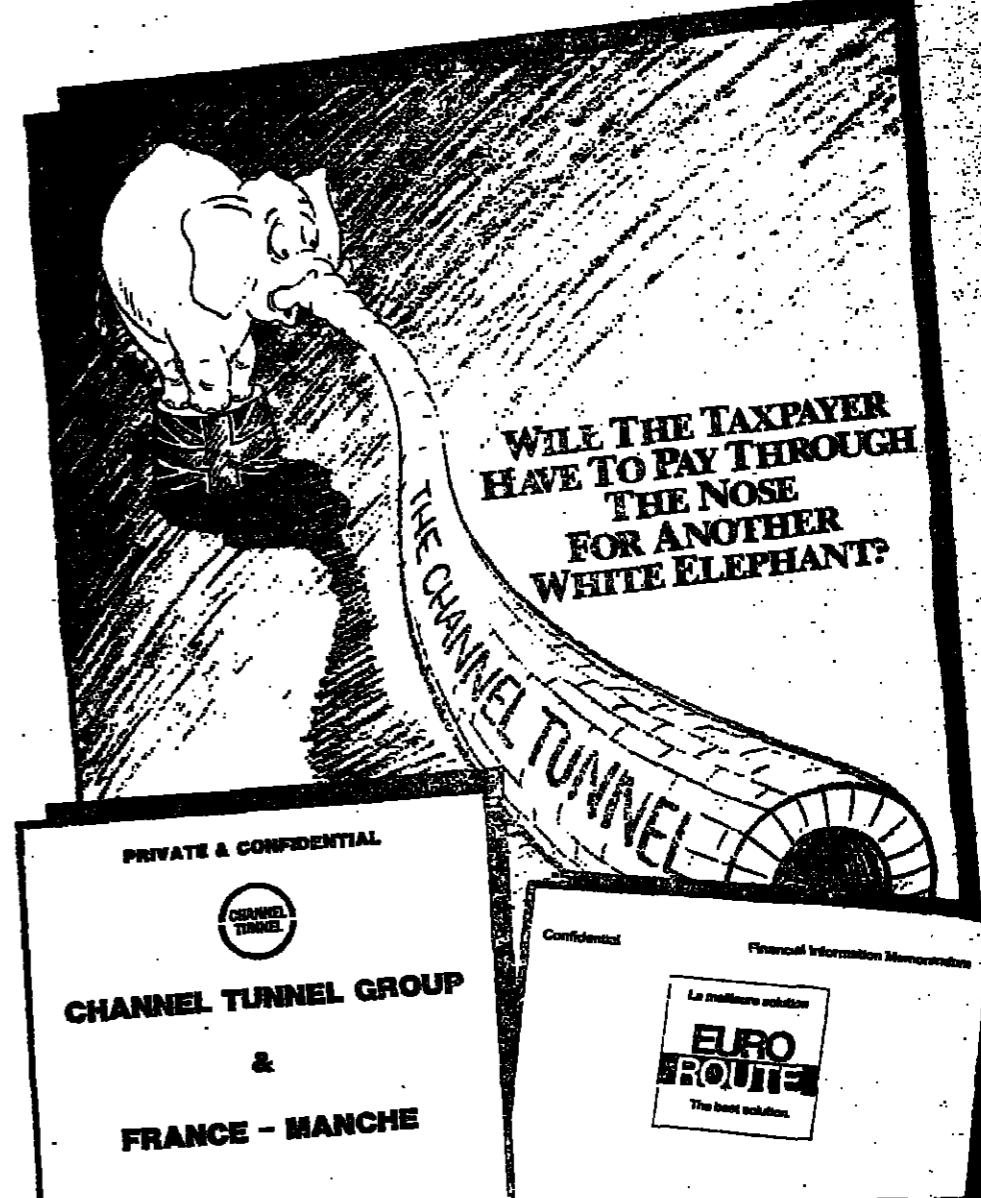
Channel Tunnel Group: The GTG financing proposals are much less detailed. Unlike Eurotunnel, GTG has done its cost sums on the basis of 1985 prices so no account is taken of inflation during the construction period. GTG does forecast, however, that if the whole project were funded with equity, investors would receive annual returns of between 15.9 per cent and 16.4 per cent, depending on whether the link secures a duty-free concession.

Both groups sound confident of receiving enough institutional support for their financial proposals to sound credible in Whitehall. Eurotunnel appears to have been putting its case across more aggressively — it has contacted almost 100 UK institutions — and can count for support on both the City's largest merchant bank, Kleinwort, Benson, and its most powerful stockbroker, Cazenove.

But appearances may be deceptive. Several fund managers concede this week that, while they saw no harm in expressing preliminary interest, they had grave reservations about the viability of both schemes. "It is very difficult for us to get an independent appraisal of this kind of project," one said. "But it does seem to us that both groups are taking an optimistic view of traffic revenue and are underestimating the potential competition from ferries."

Not all institutions are so gloomy, but it is perhaps a sign of their caution that many prefer the cheaper, technologically less ambitious Channel Tunnel scheme. "The thing against the tunnel is that it is not so user-friendly, but the commercial arguments suggest that the tunnel should have it by a long way. The forecasts on Eurotunnel look topsy-turvy and the technology is a bit dicey," another fund manager argued.

For the Government, however, the Eurotunnel project has several attractions. It will create more jobs, particularly in areas of high unemployment, and is more likely to capture the public imagination than a straightforward tunnel. But, if the City goes cool on the whole idea, the Government may have second thoughts. While it has insisted that the whole project must be privately funded, it is almost inconceivable that, once the project is well under way, the Government could just ignore any financial difficulties. And the last thing any Government would want to nationalise is a white elephant 23 miles long.



A vigorous campaign against the tunnel is being led by Channel ferry operators but prospectuses for the two major schemes are circulating secretly in the City

A tale of two approaches

"IT'S LIKE the old story of the tortoise and the hare," said M. Jean-Paul Parayre

yesterday over coffee and croissants in the dining room of a big hotel in the Faubourg Saint Honoré. "Our sympathetic rivals have adopted from the start a strong public relations approach but we have been starting to find our claws."

The competition between the two groups has been intensifying. Both Eurotunnel and France-Manche have held large PR presentations in Paris. The French Socialist government is encouraging the battle because it increasingly sees the project as a possible way of winning badly needed votes in next year's general elections in the depressed north.

M. Jean-Yves Haberer, chairman of Paribas, the leading French bank d'affaires, argued that Eurotunnel's hybrid bridge and tunnel project "is a real project of the 21st century."

The Paribas chairman does not seek the limelight. But he loses his traditional discretion when talking about Eurotunnel and its rival and clearly enjoys telling the story how, when he was still at the French Treasury, he found an old book on one of the secondhand stalls that the embodiment of the Seine. "It was a red book about the 1865 Channel tunnel project. I've still got it in the country. It seems to be the blueprint for the France-Manche proposal."

Paul Bettis
in Paris

package to finance the project," he says.

M. Parayre acknowledges that his group has not been as aggressive in promoting its cause as Eurotunnel. But with the October 31 deadline for the bids closing in, he is starting to show his claws.

The competition between the two groups has been intensifying. Both Eurotunnel and France-Manche have held large PR presentations in Paris. The French Socialist government is encouraging the battle because it increasingly sees the project as a possible way of winning badly needed votes in next year's general elections in the depressed north.

Only ten days ago, M. Laurent Fabius, the Prime Minister, unveiled a new FFr 3bn economic aid package for the north including the setting up of a working party to see if the fixed-link project could benefit the steel and coal region.

France-Manche appears to be favoured by the French railways which have been actively campaigning for a high-speed train link between the Gare du Nord and Victoria. But although France-Manche includes such powerful construction groups as Bouygues, Dumez, Spie Batignolles and big banks like Banque Nationale de Paris, Indosuez and Credit Lyonnais, the Eurotunnel project has probably the more

impressive lobbying gunfire.

M. Parayre's opposite number at Eurotunnel is M. Jacques Mayoux, chairman of the nationalised Société Générale bank and former head of the French Saclier steel group. For the past few years, M. Mayoux has crusaded for his project and he is backed by Eurotunnel in France by Paribas, the leading French bank d'affaires, the Compagnie Générale d'Électricité (CGE) and its Alstom engineering subsidiary, the CTM Entreprise construction group, and Usinor, the nationalised steel company which recently joined the Eurotunnel consortium.

Normally retiring and discreet, M. Parayre appears to lose all traces of shyness when he discusses the Channel tunnel. In his smooth and courteous style the former Peugeot chairman argues convincingly and earnestly in favour of France-Manche's twin-bore rail-only tunnel project and knocks, whenever given half a chance, the rival Eurotunnel bridge and tunnel plan. "We are cheaper; we offer a technically superior solution and a new transport concept; we will have a secure and complete international financial

Man in the News

Bernie Grant

Town hall boss at the barricades

By Richard Evans



the course because he claims easy target to pick off. Grant became a local councillor in 1978.

After moving quickly up the council ladder to chair the public works committee, he got his big chance last summer over the rate-capping crisis. Against the advice of the Labour group's moderate leadership a majority, led by Grant, voted against setting a legal rate.

After the election party moderates were in total disarray and have remained so. Like Charles de Gaulle, they have opted out on the supposition that Grant and his supporters will make such a hash of things that their services will be required to put matters right.

Grant was picked for his far-left political views and on his close connections with the local black community.

Even his political opponents concede he is a forceful character and a man of some

charisma.

Meeting him is a disorienting experience: his charm contrasts with his fierce political reputation.

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Since the rate-capping crisis there have been many allegations of intimidation within the council and the depth of hatred of Grant among the moderates is extraordinary. "The most evil man I have ever encountered in politics" is one comment from a fellow Labour

councillor.

While the council leadership was being overthrown, the battle was on for the Labour candidacy at Tottenham, one of the two Parliamentary constituencies in Haringey. Norman Atkinson, veteran MP and former Labour Party treasurer, had been under attack for years from Reg Race, dispossessed by boundary revision from neighbouring seat.

It looked a straightforward contest, with Race the clear favourite. But Race, a close colleague of Ken Livingstone at the Greater London Council, then devised the formula that enabled the GLC to balance its books and set a legal rate. His standing with the left at Tottenham plummeted and Grant was pushed forward as an additional candidate.

Following the Broadwater estate riots, Grant intends to draw disaffected local blacks into separate black sections within the Labour Party—an arrangement specifically rejected by the national leadership—in order to motivate them. It is a gamble that could backfire.

The key will be whether he can attract more blacks especially militants without alienating the traditional working-class Labour voter.

Some Labour moderates believe the seeds are now there for Labour to lose Tottenham, one of its safest London seats with a majority of over 9,000.

"Bernie Grant is handing Tottenham away . . . I think we will have another Bermondsey on our hands," says one.

Peter Tatchell, a far-Left candidate, lost that safe Labour seat to the Liberals in February 1983.

This would be much more likely to happen in a by-election than in a general election, however, and the very strong chance is that Grant will get to Westminster. Given the views he put forward at the Tottenham selection conference—nationalisation of the UK's top 25 companies, unilateral nuclear disarmament, withdrawal of troops from Northern Ireland, and a pardon for all miners convicted during the strike, it is not a pleasing prospect for Neil Kinnock.

BASE LENDING RATES

A.B.N. Bank	11 1/2%	Hambros Bank	11 1/2%
Allied Dunbar & Co.	11 1/2%	Heritable & Gen. Trust	11 1/2%
Allied Irish Bank	11 1/2%	Hill Samuel	11 1/2%
American Express Bk	11 1/2%	C. Hoare & Co.	11 1/2%
Henry Ansbacher	11 1/2%	Hongkong & Shanghai	11 1/2%
Amro Bank	11 1/2%	Johnson Matthey Bks	11 1/2%
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	12 %
Banco de Bilbao	11 1/2%	Lloyd's Bank	11 1/2%
Bank Hapoalim	11 1/2%	Edward Manson & Co.	12 1/2%
BCCI	11 1/2%	Meghraj & Sons Ltd.	11 1/2%
Bank of Ireland	11 1/2%	Midland Bank	11 1/2%
Bank of Cyprus	11 1/2%	Morgan Grenfell	11 1/2%
Bank of India	11 1/2%	Mount Credit Corp. Ltd.	11 1/2%
Bank of Scotland	11 1/2%	National Bk. of Kuwait	11 1/2%
Banque Belge Ltd.	11 1/2%	National Giro Bank	11 1/2%
Barclays Bank	11 1/2%	National Westminster	11 1/2%
Beneficial Trust Ltd.	12 %	Northern Bank Ltd.	11 1/2%
Brit. Bank of Mid. East	11 1/2%	Norwich Gen. Trust	11 1/2%
Brown Shipton	11 1/2%	People's Trust	12 1/2%
CL Bank Nederland	11 1/2%	PK Finans. Int'l. (UK)	12 %
Canada Permanent	11 1/2%	Provincial Trust Ltd.	12 %
Cayzer Ltd.	11 1/2%	R. Raphael & Sons	11 1/2%
Cedar Holdings	12 %	Roxburgh Guarantee	12 %
Charterhouse Japhet	11 1/2%	Royal Bank of Scotland	11 1/2%
Chouartons*		Royal Trust Co. Canada	11 1/2%
Clibank NA	11 1/2%	J. Henry Schroder Wag	11 1/2%
Citibank Savings	11 1/2%	Standard Chartered</td	

UK COMPANY NEWS

Aitken to buy Sentinel for £16.5m

BY CHARLES BACHELOR

Aitken Hume, the fund management and banking group headed by the Aitken cousins, Timothy and Jonathan, is poised to buy the Sentinel Insurance Company, an unquoted life assurance group for £16.5m.

Aitken will finance the deal by the placing of about 11m shares worth £15m with a group of seven UK and overseas financial institutions and pay a further £1.5m in cash.

About 60 per cent of Sentinel's shares are held by accountants Price Waterhouse, acting as liquidators for the Israel-British Bank (London) which collapsed together with its Israeli parent company, the Israel-British Bank of Tel Aviv with a combined deficit of about £80m, in 1974.

The remaining shares in Sentinel are held largely by members of the Lands family, relatives of Mr Harry Lands, chairman of the Israel-British Bank at the time of its collapse and of Sentinel. The London arm of the bank was the only fully authorised UK bank to be allowed to fail by the Bank of



Mr Timothy Aitken, chief executive

England.

Sentinel itself was never in difficulty but a large slice of its shares had been pledged to

secure lending by the Israeli-British Bank.

Sentinel had assets of £43.6m at March 31 1985 and received total gross premiums of £8.5m, including £1.13m of new premiums in that year. It has about 22,000 policyholders.

Gross investment income fell marginally to £205,000 from £209,000. After deducting management expenses of £49,000 (£50,000) and including £44,000 as the net increase in the value of investments (£98,000), Sentinel recorded pre-tax income of £502,000 compared with £553,000 the year before.

Aitken Hume has spent the past eight months in tortuous negotiations with the shareholders, including liquidators of the Israel-British Bank both in the UK and Israel. It hopes to resolve the final legal details within the next week or so.

Aitken Hume has been looking for a sizeable UK insurance company for sometime to balance the US bias to its business which arose when it acquired the National Securities deal was left with the underwriters.

Research Corporation, a US fund management company, in October 1983.

It plans to launch unit-linked insurance policies tied in with its existing unit trust operation. The life assurance link should make for more long-term holders of its unit trusts, Aitken Hume believes.

Aitken Hume has been recruiting new investment managers to improve the performance of its UK-based investment business. Sentinel is large enough to give a significant boost to this side of its operations, but because of its unusual share structure did not command the premiums being sought recently for other life assurance companies.

Aitken Hume's shares rose 17p to 164p yesterday. The company has arranged to place the shares needed to fund the Sentinel Purchase after the 50 per cent of the £17m rights issue which financed the National Securities deal was left with the underwriters.

Reduced profits at Microlease

Microlease, which is engaged in the rental of professional electronic equipment, turned in reduced pre-tax profits of £400,000 for the six months to August 31 1985, compared with £500,000 last time.

However, with the benefit of improved sales and marketing effort, the board is confident that the full year will result in satisfactory progress over the previous year's £700,000 pre-tax.

During the first half, margins and equipment utilisation levels have progressively improved as a direct result of the management action referred to in the chairman's last statement.

Turnover for the six months increased from £1.68m to £1.80m. After tax of £160,000 (£201,000) earnings per 10p share were lower at 7.1p, against 8.0p. The interim dividend is maintained at 1p net—last year's total was 5p.

The company has considerably increased its marketing effort and in comparison with this time last year, its customer base has increased by 25 per cent to almost 3,000 and it is continuing to add new customers at a rate of 700 each month.

Call for changes at Thamess

BY RAYMOND SNODDY

SENIOR MANAGERS of Thamess Television are pushing for a restructuring of the ownership of the company following the failure of the take-over bid by Carlton Communications.

They argue that fundamental change is needed now that British Electric Traction (BET) and Thorn EMI have been dismissed as potential sellers of their 95 per cent stake in the largest ITV company.

BET and Thorn signed agree-

ments, subject to IPA approval, to sell their Thamess stakes for a total of £2.5m. On Thursday the IPA decided to withhold its approval for the take-over.

Thamess management now would like to see BET and Thorn become minority shareholders in Thamess and the number of new institutional and company shareholders brought into Thamess ownership.

They believe that a flotation of about 20 per cent of the shares, being planned for some weeks, is no longer an adequate solution.

The Thamess management would however have to persuade

the non-executive directors who represent BET and Thorn on the Thamess board of the need for radical change. The non-executive directors each have two votes and out-vote the Thamess management on the board.

Mr Hugh Dundas, chairman of Thamess and BET conceded on Thursday that shareholders had been looking at a possible flotation. But following the IPA decision to block the Carlton take-over, he said he expected flotation moves might now be accelerated.

This could lead to a qualification of Acorn's final audited accounts for the year to June 30 1985, but the company stresses that "although in the early stages, the work carried out to date indicates that a significant reduction in the amount assessed is probable."

Acorn, which has seen its share price plummet since the latter part of 1984, was rescued this year by its creditors and Olivetti, the Italian company, which now holds nearly 80 per cent of the shares.

The 1984-85 result, struck

after exceptional debts of £13.4m and extraordinary debts of £7.5m, is in stark contrast to the previous year when a taxable profit of £10.83m was earned. £6.03m was available for shareholders and a dividend was paid.

Turnover at £77.97m was £15.1m lower and produced an operating loss of £5.5m compared with a £10.3m profit. The loss was particularly affected by stock value reductions, cancellation of orders and allowances to trade customers costing £14.7m all told.

Another exceptional en-

compassed U.S. trading losses of £1.98m, while the overall

figure was, to some extent, contracted by £5.41m of waivers from creditors and £1.58m of royalties.

The pre-tax result, a loss of £23.21m, also included

£2.38m of interest charges, a swing of over £3m on the previous year's £474,000 credit.

Tax credits were £3.04m,

leaving a net loss of £19.16m before extraordinary which comprised costs arising from the ceasing of direct sales operations in the U.S. and the withdrawal from active marketing in Germany.

Acorn has decided to change its year end to December 31; the next financial period will cover the six months to end-December 1985.

See Lex

Hillsdown acquires 10% stake in OEM

Hillsdown Holdings has acquired 615,000 shares, or some 10.04 per cent, of Office and Electronic Machines, the UK sole distributor for Triumph Adler office equipment. The shares are believed to have come from P. R. Tomkin, the engineering concern, which earlier this week decided not to proceed with an offer for OEM.

Hillsdown is mainly known as a food group, but it has an interest in the office equipment sector via its Cartwright Brice subsidiary.

Hillsdown's 10% stake in OEM

Tate & Lyle strengthens North American interests

IN A DEAL which further strengthens its North American interests, Tate & Lyle, the UK group most noted for its sugar production and refining business, yesterday announced the C\$6m (£3.12m) purchase of Texas Plastic Industries via its Canadian subsidiary Redpath Industries.

The U.S. company, based in Midland, Texas, is a manufacturer of custom injection-moulded products primarily for

use in the oil and gas drilling industry. The acquired assets will also be used to produce interior plastic parts for vehicles to be manufactured at the new Ford/Mazda plant in Hermosillo, Mexico, opened in late 1986.

Tate Plastics will fit in with Tate's Danles moulded plastics business in Toronto, Canada, which was acquired in November last year and made a substantial contribution to Tate's 131m interim pre-tax profits.

Hillsdown's 10% stake in OEM

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FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Fri Oct 11 1985					Thurs Oct 10	Wed Oct 9	Tues Oct 8	Year ago (approx.)	Highs and Lows Index			
	Index No.	Day's Change %	Ex- Dividend Date (Mon)	Days Yield % (Mon)	Ex-Div. Rate (Net)					Index No.	Index No.	Index No.	1985
1 CAPITAL GROUPS (206)	539.45	+2.1	10.70	4.20	11.72	12.55	520.61	515.02	531.64	577.15	22/1/85	50.71	13/12/74
2 Building Materials (22)	575.99	+2.2	11.39	4.64	10.93	14.25	562.94	554.73	475.58	575.99	11/10/85	44.27	11/2/74
3 Contractors (20)	571.45	+1.5	11.45	4.59	12.04	13.79	567.01	569.59	575.59	571.45	11/10/85	71.45	2/2/74
4 Electronics (30)	1308.64	+2.0	11.45	4.59	12.04	12.04	1373.99	1475.13	1471.28	1286.36	10/7/85	245.62	1/2/85
5 Electricals (30)	1308.64	+2.0	11.72	4.59	12.04	12.04	1373.99	1475.13	1471.28	1286.36	10/7/85	245.62	1/2/85
6 Household Engineers (61)	314.77	+1.5	10.70	4.54	11.32	11.32	310.09	314.77	314.77	314.77	9/11/85	22/04/85	13/10/85
7 Kitchens and Metal Firms (7)	213.46	+2.0	12.28	5.75	22.99	22.99	204.79	213.46	213.46	213.46	1/10/85	19/05/85	1/10/85
8 Motors (16)	183.09	+1.2	12.44	4.65	12.04	12.04	177.46	177.46	177.46	177.46	1/10/85	19/05/85	1/10/85
9 Other Industrial Materials (20)	200.54	+2.5	7.45	3.58	16.11	16.54	191.53	197.03	196.10	182.31	6/11/85	22/04/85	1/10/85
10 OTHER GROUP (17)	704.65	+0.6	9.01	3.76	12.91	12.91	700.19	695.65	695.65	685.62	7/10/85	20/04/85	1/10/85
11 BREWERS and DISTILLERS (2)	742.27	+0.5	9.29	3.89	13.63	13.79	738.79	738.79	738.79	738.79	10/12/85	24/02/85	1/10/85
12 Food Manufacturers (22)	504.94	+0.9	11.68	4.85	12.04	12.04	500.31	494.43	493.52	493.52	5/13/85	21/02/85	5/13/85
13 Food Retailing (14)	1668.24	+0.8	5.92	2.51	22.86	22.86	1779.05	1659.58	1628.49	1628.49	12/10/85	22/04/85	1/10/85
14 Health and Household Products (9)	1662.78	+0.3	6.53	2.60	22.86	22.86	1759.05	1659.58	1628.49	1628.49	12/10/85	22/04/85	1/10/85
15 Leisure (23)	687.07	+0.2	8.33	4.54	12.04	12.04	697.07	682.59	682.59	682.59	7/11/85	22/04/85	1/10/85
16 Newspapers, Publications (12)	1877.47	+0.4	8.18	4.58	12.04	12.04	1877.47	1877.47	1877.47	1877.47	1/10/85	22/04/85	1/10/85
17 Packaging and Paper (13)	361.47	+0.2	9.92	4.25	12.02	12.02	360.47	356.30	356.30	356.30	1/10/85	22/04/	

INTERNATIONAL COMPANIES and FINANCE

IBM earnings decline for third successive quarter

BY PAUL TAYLOR IN NEW YORK

A 7 per cent decline in third quarter profits is unveiled by International Business Machines (IBM), the world's largest computer group. Net earnings fell to \$1.47bn or \$2.40 a share from \$1.58bn or \$2.60 a share for the same period of 1984.

The results—slightly below the bottom end of most Wall Street estimates—represent IBM's third consecutive quarterly earnings decline. But the U.S. computer group forecasts "strong fourth quarter shipments" buoyed by start-up deliveries of its new 3090 "Sierra" mainframe machine.

IBM's earnings report had been eagerly awaited by Wall Street, not only as a key indicator of the state of the generally depressed U.S. computer market, but also as an early signal of the direction of corporate profits in the third quarter—and therefore the likely direction of Wall Street share prices.

Analysts had generally been expecting IBM to report earn-

Acquisition costs force Kone's income down

BY OLLI VIRTANEN IN HELSINKI

KONE, ONE of the world's leading lift and hoist manufacturers, reports a 44 per cent drop in net earnings for the January to August period to FM 61m (\$11m) compared to the same period in 1984. The Finnish company also expects its overall result for 1985 to be below last year's.

Much of the decline stems from expenses resulting from takeovers during the first half of this year. The company purchased Sabien, an Italian lift-maker, and Gottfeld Bauer Aufzugsfabrik of West Germany. In addition, Kone bought 51 per cent of Montgomery Elevator of Canada. Kone's total sales during the eight months rose by 16 per cent to FM 3.05bn (\$536m).

Some 40 per cent of the increase accrues from acquisitions.

The lift division, which accounts for over half of total sales, reports a favourable market situation, whereas heavy materials handling (25 per cent of the total) continued to develop unsatisfactorily.

According to Mr Pekka Herlin, Kone's chairman, this division has to adapt further its capacity to lower sales. The marine technology division, which accounts for 11 per cent of total sales, lost almost a third of its sales volume.

The company's order books have expanded by 10 per cent since the beginning of this year and Kone expects the overall sales for this year to be about 20 per cent higher than 1984.

De Benedetti company buys stake in Fineur

By Alan Friedman in Milan

CAMPAGNIE INDUSTRIALI Rifiuti (CIR). Sig. Carlo de Benedetti's family holding company, has acquired a 20 per cent stake in Fineur, a Rome-based group which has around 40 per cent of the Italian cash register market. The price of the purchase was not disclosed.

Olivetti, the leading office automation group which Sig. de Benedetti chairs and in which he has a 15 per cent stake, has just over 50 per cent of Italy's cash register market. Thus the purchase of the Fineur shareholding gives Sig. de Benedetti an indirect but commanding share of the Italian cash register market—more than 90 per cent between Olivetti and Fineur.

Fineur, which this year is expected to have a turnover of L100bn (\$224m), owns 51 per cent of Sweda, the second biggest cash register company after Olivetti. Olivetti bought 49 per cent of Sweda in April 1984.

Indesit. Italy's second largest home appliance group which was recently placed under state administration, is to resume manufacturing on a limited basis, writes Alan Friedman in Milan. Indesit, hit by spiralling losses, a liquidity crisis and a debt burden more than 15 times the size of its share capital, suspended manufacturing last July.

Dr Giacomo Zunino, Indesit's state-appointed commissioner, said in Turin yesterday the company hoped to produce 100,000 home appliance units in November and December, 70 per cent of which would be destined for export markets such as the UK. This compares with annual productive

with his polo playing son, a French dentist and Lord Hanson's personal manager, Malcolm Patterson.

Mr. Nussbaum's interest in the affairs of the British polo team was one of the more curious lines of questioning which arose during his 64-hour cross examination on Monday of Lord Hanson, the chairman and founder of Hanson Trust, which has launched a bold \$830m takeover bid for SCM, one of Mr. Nussbaum's clients. The questions ranged from whether Lord Hanson had telex machines in his various homes in California's Palm Springs, New York's Pierre Hotel and London's Mayfair—and whether he knew how to operate them

—to requests for the substance of past conversations about all sorts of matters.

The minutiae of the questioning would baffle most people not familiar with the workings of the U.S. legal system and it is clear from the transcript that, despite his legendary business brain, Lord Hanson was at times caught off guard and confused by the bruising cross-examination.

Lord Hanson had been summoned to give what U.S. lawyers call a "deposition"—a device used to find out more facts on a case so that lawyers can better prepare their arguments for the subsequent courtroom battles.

But as Lord Hanson found out in his first experience on the U.S. witness stand, it can also be used to dig up dirt. Mr. Nussbaum tried his best level to uncover any skeletons from

Hanson Trust's past. His lordship was questioned rigorously about alleged "kick-back" schemes and insider dealings by himself and Sir Gordon White, head of Hanson's U.S. operations, during the early days of Hanson Trust's U.S. expansion. He was grilled again and again about allegations made by Mr. Peter Bauer Mengelberg, who specialised in putting deals together, and won a court action against Hanson. Lord Hanson characterised the "vile allegations" as a "tissue of lies."

Whilst Mr. Nussbaum's purpose was to establish the credibility of his witness, the speed with which embarrassing parts of Lord Hanson's testimony were disseminated to the British press indicated that the enemy camp was intent on "playing dirty," say the Hanson lawyers.

Mr. Dennis Block, whose firm, Weil, Gotshal & Manges is advising Hanson Trust, said that he "had never seen conduct like it" and accused Mr. Nussbaum of misusing the U.S. legal system.

However, the cross examination also shed some interesting light on the extraordinary business relationship between Lord Hanson and his long-time business partner, Sir Gordon White. It is clear from the transcript that Hanson Trust's

controversial move to spend over \$200m buying a 25 per cent stake in SCM on September 11 within hours of dropping its tender offer, was initiated by Sir Gordon without consulting Lord Hanson.

Lord Hanson says that "Sir Gordon keeps things very close to his chest and does not like to discuss these matters until they have been done." Over the many years the two of them have been doing business together. Lord Hanson says that his responsibility has "primarily been to be the administrator while Sir Gordon is the creative member of the team."

"We have the greatest possible confidence in one another and we have a relationship which is almost extrasensory in that we seem to know very clearly what is going on in the other's mind, so a great confidence has been built up between us. I trust Sir Gordon absolutely. He trusts me absolutely."

LADBROKE INDEX

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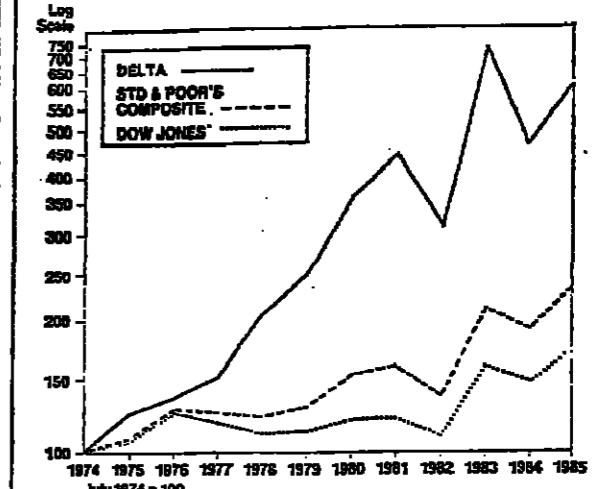
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Delta Investment Company Limited

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INDEX OF NET ASSET VALUE PER SHARE SINCE JULY '74



Extracts from the Statement by the Chairman During the year under review our Company has achieved a satisfactory performance, as reflected in a rise of 1.1% in the net asset value per share. This appreciation, as well as the long term growth, is compared below with the major indices.

	Growth since 1974	1974-84
Net asset value per share	+50.1%	+32%
Dow Jones Industrial Index	+7.6%	+21%
Standard & Poor's Composite Index	+136%	+26%

During the last few months the Federal Reserve has been injecting liquidity into the banking system. This development, together with the fall of the U.S. dollar, is expected to stimulate the American economy in the near future. Continued economic growth and the decline in interest rates and in the dollar should allow for a substantial rise in corporate profits particularly as year-on-year comparisons are becoming much easier.

Your Company will maintain its concentration in medium and smaller sized companies believing current valuations of these stocks are attractive both in actual terms and as compared to larger companies.

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First Chicago moves back into the black

BY WILLIAM HALL IN NEW YORK

FIRST CHICAGO, the tenth

biggest U.S. bank whose second

quarter earnings were badly

hit by a \$55m after-tax loss

sheet had been strengthened by

adding \$80.5m to the loan loss

allowance in the third quarter.

First Chicago's overall primary

capital ratio rose to 6.54

per cent at end-September,

compared with 5.93 per cent a

year earlier, and the primary

capital ratio of First National

Bank of Chicago, the main

operating subsidiary, substan-

tially exceeded the 8 per cent

goal which the bank had

agreed with U.S. bank regu-

lators would be met by March

31, 1986.

First Chicago's loan loss provi-

sions totalled \$150.4m in

the latest quarter, which was

up from \$90.8m in the second

quarter but down from \$83m

in the same quarter last year.

Non-performing assets fell

from \$721m at the end of the

second quarter to \$665m.

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LONDON STOCK EXCHANGE

MARKET REPORT

Fresh burst of strength in leading equities pushes
FT index up 9.7 to best-ever 1027.5

Account Dealing Dates

First Declara- Last Account
Dealing Dates Dealings Day
Sept 30 Oct 10 Oct 11 Oct 21
Oct 4 Oct 24 Oct 24 Nov 4
Oct 25 Nov 7 Nov 8 Nov 18
"New rules" dealings may take
place from 8.30 am two business days
earlier.

Inspired afresh to a great extent by the Chancellor's recent confident remarks on the UK economy, equity markets finished the two-week trading Account in good heart yesterday.

The continued revival of investment confidence was sufficient to prompt a further broad advance in blue chip industrials which left the Financial Times Ordinary share index 2.7 up at an all-time high of 1,027.5. The previous peak of 1,024.5 was attained on January 22 1985.

Engineers, which encountered another bout of sizeable buying, spearheaded the advance. Building shares were not far behind.

Meanwhile, other leading shares met with further institutional support in the early dealings. Interest, however, tended to fade as the trading session progressed but a late revival—from 3.30 pm business is allowed without penalty for the new Account starting next Monday—left most quotations at the day's best.

Among the sectors, leading Electricals put on a bright performance, but Oil shares, still reflecting price worries, failed to participate in the advance. Secondary stores, which came to life on Thursday following Clayform Properties' bid for Owen Owen, traded much more quietly.

Nevertheless, speculative activity was again evident in other areas of the market. Company trading statements prompted a number of the day's more noteworthy movements.

Government securities continued on a quietly firm note until the 3.30 pm announcement of further Government funding. The issue by way of tender of £500m of Treasury 10 per cent 2001 (540-p) at a minimum price of 981 caused a late easier trend, earlier gains of an in the medium being erased. Stocks within the vicinity of the new top were lowered by around 4 after showing initial fractional gains. Short-dated stocks, however, were unaffected, quotations here holding improvements of 7.

Insurances ended the Account on a very firm note. Lloyds brokers attracted persistent buying interest and Willis Faber closed 16 higher at 724p, while takeover sire Stewart Watson gained 13 to 680p.

Lloyds brokers firm

Minors were finally 5 higher at 225p and C. E. Heath 5 up at 632p. Life issues went higher helped by a broker's bullish view of the sector. Legal and General gained 9 to 684p and Prudential rose 12 to 712p. Refers, the oil market on Thursday on news that Bank of Nova Scotia does not have a direct stake in the company, remained

composure and rallied 10 to 370p.

The major clearing banks trended firmer initially, but subsequently settled below the best in the absence of follow-through support. Barclays closed 3 dearer at 400p, after 404p, and NatWest 6 higher at 660p, after 664p. Among Merchant banks, J. Rothschild featured with a rise of 4 to 104p. Elsewhere, First National Finance attracted fresh speculative buying and gained 8 to 142p. National Bank Australia rose 10 to 235p on news that the group is seeking a US big board listing.

Breweries attracted occasional demand for the new Account and finished a shade firmer for choice. Guinness again led the way with a gain of 2 at 306p—up 18 on the week. Matthew Brown met "call" option business and hardened 6 more to 445p as operators took positions in front of the Monopolies Commission verdict on the bid from Scottish and Newcastle, a penny cheaper at 178p.

Stock shortage often exaggerated gains in a Buildings sector buoyed by hopes of increased Government spending and interest rate optimism. Several leading issues displayed double-figure gains with Costata 12 higher at 472p and Blue Circle 11 up at 541p. Taylor Woodrow rose 8 to 497p, as did Redland, to 315p. RMC continued to make progress and gained 6 more in 444p for a gain on the week of 18. Buyers came to John Lewis which rose 18 to 300p and John Mowlem, 8 to the good at 218p; the latter's interim figures are due next Monday. Other bright spots included Ward Holdings 12 higher at 205p and French Kier, up 6 more at a year's high of 213p, the latter on a Traders House takeover hopes. Denison's in a restricted market lifted James Latham 15 to 300p, while Ruberoid continued to reflect the better-than-expected results with a further rise of 7 to 258p. Meyer International, again traded briskly and settled 3 dearer at 157p.

In the Chemical sector, Foseco attracted buyers and firm 7 to 208p, but Horace Cory shed a penny to 14p following the warning about second-half profits.

Elys up again

Thursday's bout of excitement in secondary Stores proved to be short-lived. Owen Owen, the subject of a hostile share-exchange bid from Clayform Properties, were unchanged at 455p, after 450p, but Elys (Wimbleton), in which the former holds a near-30 per cent stake, attracted fresh speculative activity and spurted 40 for a two-day gain of 105 at 600p. Raybeck, firm on Thursday after the interim statement, hardened a couple of pence further to 36p following the disposal of its loss-making Best Sellers operation.

FINANCIAL TIMES STOCK INDICES

	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 4	Oct 3	year ago
Government Secs.	86.14	84.10	84.08	84.02	84.16	84.31	79.93	
Fixed Interest	90.09	90.06	89.96	89.86	89.88	89.85	84.94	
Ordinary	1027.5	1017.8	1007.0	1007.2	1012.4	1016.5	876.0	
Gold Mines	291.4	290.2	290.2	289.2	287.4	287.2	248.0	
Ord. Div. Yield	4.64	4.67	4.71	4.72	4.71	4.69	4.53	
Earnings, Ytd. 1/Full	11.36	11.44	11.54	11.52	11.47	11.53		
P/E Ratio (net)	10.90	10.82	10.73	10.72	10.74	10.79	10.40	
Total bargains	£22,721	21,597	20,548	21,818	21,718	21,189	16,611	
Equity turnover	£467.02	397.01	315.85	348.14	411.11	405.84		
Equity bargains	—	21.20	16,850	19,270	19,681	18,797	20,110	
Shares traded (m)	—	246.5	203.4	170.7	179.5	209.5	207.2	

• 10 am 10/21 11 am 10/23 4. 11 am 10/24 4.

2 pm 10/24 3. 5 pm 10/24 7. 4 pm 10/25.

Day's High 1027.5. Day's Low 1019.0.

Basic 100 Govt. Secs. 16/10/28. Fixed Int. 1/7/35.

Gold Mines 12/35. SE Activity 1974.

Latest Index 01-248 8028.

* Nil=10.50.

HIGHS AND LOWS S.E. ACTIVITY INDICES

	1985	Since Compilat'n	Oct 10	Oct 9
High	Low	High	Low	Daily
Govt. Secs.	84.51	79.02	127.4	49.18
Fixed Interest	90.09	90.06	89.96	89.86
Ordinary	1027.5	1017.8	1007.0	1007.2
Gold Mines	291.4	290.2	290.2	287.4
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Financial Times Saturday October 12 1985

INDUSTRIALS—Continued

LEISURE—Continued

Block | 1 | + or | Div | 1 |

PROPERTY—Continued

PROSPECTUS—Continued

INVESTMENT TRUSTS—Cont.

INVESTMENT TRUSTS - COM

FINANCE, LAND—Com

FINANCIAL STATEMENT

MINES—Continued

Stock | **Point** | **+ or -**

Rate of inflation drops below 6%

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

AVERAGE prices fell in September, pushing the annual inflation rate just below 6 per cent for the first time since February.

Figures from the Department of Employment yesterday showed that the index of Retail Prices in September fell by 0.1 per cent to 376.5 (1974=100). This was 5.5 per cent higher than a year earlier and compared with 6.2 per cent in August.

The annual inflation rate has now fallen for three successive months from the peak of 7 per cent reached in May and June. The decline is expected to continue at least until the middle of next year.

Mr Nigel Lawson, the Chancellor, told the Conservative Party conference in Blackpool this week that he expected the inflation rate to fall to around 3 per cent by the end of the year and to drop below 4 per

cent in the late spring of 1986.

The Chancellor's forecast is supported by the National Institute of Economic and Social Research, which believes that inflation will have fallen to an annual rate of 5.1 per cent by the end of next year.

Last month's erosion of the inflation rate was mainly due to lower mortgage interest rates. However, other prices, including those for petrol and fresh vegetables, also fell.

Inflationary pressures are in general more subdued now than they were in the earlier part of the year, chiefly because the rise in the value of sterling has cut the cost of manufacturers' imported raw materials and fuels.

The Government remains anxious about the relatively rapid rise in wages. Average earnings are about 7.4 per cent higher than a year ago while

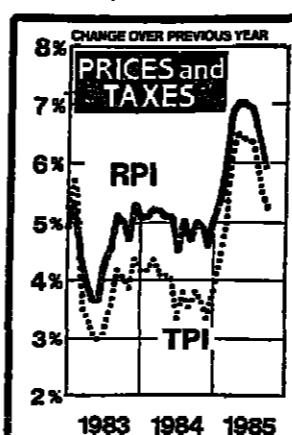
earnings in manufacturing industry are about 9 per cent higher.

There are also anxieties in the City about the value of the pound and bonds, which expanded 10 per cent in the latest six months.

Nevertheless, the latest evidence from Confederation of British Industry Surveys of Industry suggests that manufacturers will be moderating their price rises in the next few months.

Yesterday's figures showed that the Tax and Price Index, which measures the gross pay needed to keep pace with price and tax changes, fell slightly in September to 191.7 (1978=100). This was 5.2 per cent higher than a year earlier.

Yesterday, Lord Young, the Employment Secretary, said the figures represented good news on the inflation front and that an even lower rate of inflation was in prospect for October.



Reagan names two to sit on Fed board

By Paul Taylor in New York

PRESIDENT Ronald Reagan has nominated Mr Wayne Angell, a Kansas economics professor, banker and farmer, and Mr Manuel Johnson, assistant treasury secretary, to be governors of the Federal Reserve, the US central bank. Both have been critics of recent monetary policy and their selection—if approved by the Senate—would mean Reagan nominees forming a majority on the Fed's seven-man board of governors.

Mr Johnson, 36, would succeed Mr Charles Partee whose current term expires at the end of January and could serve as a Fed governor for a full 14-year term. Mr Angell, 55, would take over from Mr Lyle Gramley who resigned with effect from September 1 and would serve the unexpired part of Mr Gramley's term, which ends in January 1994.

Both men have criticised the Fed's policy under Mr Paul Volcker, its chairman, and are expected to win Senate approval. Wall Street will then watch closely for any sign of a shift in the tone of US monetary policy. The Fed's powerful board of governors is also responsible for overseeing the operations of the US banking system—including deciding key regulatory issues.

Mr Johnson is now assistant secretary of the treasury for economic affairs, having previously been an associate professor of economics at George Mason University in Fairfax, Virginia. He is known as a supply-side, in favour of expanding the money supply to stimulate economic growth. His nomination is viewed as a victory for supply-side economists and politicians who have sometimes been critical of the Fed's tight hold over monetary growth which, they argue, has slowed economic growth.

Mr Angell's views on monetary policy are less well known although colleagues have described him as "level headed" and non-domestic. He has criticised past Fed policies, particularly its willingness to allow the dollar to appreciate so strongly.

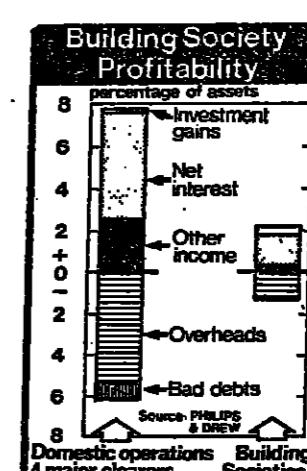
As a professor of economics at Ottawa university, Kansas, a director of the Kansas City Federal Reserve Bank since 1979, and a local banker and farmer, he was sponsored by Senator Bob Dole, a fellow-Kansan and Senate majority leader.

His nomination is seen as being a response to pressures from the farm lobby, which has blamed the Fed for many of the problems of the agricultural sector.

If approved, Mr Angell and Mr Johnson will join the other two Reagan nominees on the Fed's board of governors, Mr Preston Martin, vice-chairman, and Ms Martha Seger. The other governors are Mr Volcker, Mr Henry Wallich and Mr Emmett Rice.

THE LEX COLUMN Building bridges to the banks

Index rose 9.7 to 1027.5



Building societies and the clearing banks have been chipping away at each other's margins for so long now that it was refreshing to see champions of both camps gathered yesterday in the same room. Fisticuffs were kept to an acceptable level, thanks to the adjudication of Phillips and Drew, which evidently finds that deregulation in its own industry still leaves time on its hands. The banks confined themselves to warning the societies on no account to attempt anything the banks do, while the societies mulled about the banks' habit of cross-subsidisation and cast aspersions on the quality of banking supervision compared with their own registrar.

Both parties were united in the trepidation with which they face the future. But it looks as if the societies, which have had the best of the battle for retail deposits through a mixture of their fiscal and structural advantages, and the banks' neglect, may have further to fall.

The migration of deposits from banks to the societies (which now have over half the market) has been followed by an inter-society migration within each society towards higher-yielding instruments. The atrophy of the old share account puts yet further pressure on operating margins that were never high, leaving the creation of reserves—and balance-sheet growth—at the mercy of volatile gilt-dealing profits.

The larger societies have

already sought succour through

wholesale funding;

but the best

remains that they will be

held down by the forthcoming

legislation to a ceiling of 20 per

cent of their liabilities arising

in the wholesale market. One

intriguing notion raised yesterday was that wholesale funding by the societies to this limit might affect money market rates, forcing banks to bid more aggressively for retail savings deposits.

Equally, if the societies

attempt to emulate the banks

in providing money transmission services or lending other than on security, they face some

formidable obstacles. The sheer

volume of payment transactions,

the staffing required and all

those automatic teller machines

demand fixed costs that the

banks have learned to live with:

one estimate yesterday sug-

gested that the societies would

need some 15 per cent of the

market to become profitable.

Admittedly, any move into

non-traditional areas of lending

and investment looks set to be

limited to the very largest

societies and to a tiny proportion of their assets. For the moment, no society seems keen to evoke the scars of the banks in suggesting they will do more than finance the three-piece suite for their mortgages. Anyway, the societies will find it hard enough to improve operating margins to build the retained profits they will need to meet the reserving requirements on this sort of business.

One way round the problem

of capital adequacy would be

incorporation, opening the soci-

eties to additional forms of

finance, not excluding the stock

market. But the more this line

appeals to the societies—and it

does make sense for many of

them—the more attractive their

position will seem to some other

players in the financial retailing

sector. Once incorporated soci-

eties with strong customer

loyalty and densely packed

branch networks could look ripe

for picking. If TSB were to be

thinking about strengthening its

representation in the South

East, after the proceeds of its

own flotation add to already

strong capital ratios, that would

be no surprise. And a Juicy

building society might be just

the thing to complement BAT's

collection of insurance com-

panies.

Daimler/AEG

If Daimler-Benz is indeed mounting a takeover of AEG—as some unguarded remarks from the cartel office and AEG's suspended share quotation jointly suggest—the reasons are not to be discovered just by

looking at the new industrial

grouping that would result. On

the face of it, AEG's portfolio of

white goods and business

units

well be Acorn's next target; too

much money has been spent on

building in frills and bells to

enable Acorn to sell its newer

products in the same price

bracket as Amstrad.

Acorn's net losses of £26.8m

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The more serious user could well be Acorn's next target; too much money has been spent on building in frills and bells to enable Acorn to sell its newer products in the same price bracket as Amstrad.

With this example, the gloom over the state of the home computer market seems little overdone. Even Acorn and Sinclair are still selling computers, although at such discounts that the purpose can only be liquidation of stocks.

Both Acorn and Sinclair made this mistake—the former with the BBC range, which has now been repackaged as a scientific workstation and the latter with the QL. Amstrad has capitalised admirably on their shortcomings.

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WEEKEND FT

Saturday October 12 1985

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

Oxford's colleges have their problems but money is not one of them. Indeed, the wealth of knowledge is almost embarrassing.

Nicholas Faith reports

TOMORROW, the first academic year starts at Oxford University since the dons assembled in Congregation, voted against an honorary doctorate for Mrs Thatcher. The vote was a milestone for a university associated traditionally with the status quo. At the time the Prime Minister's supporters treated it as a Marxist plot; in reality, it was more significant — a protest by the university's strong scientific community against the cuts imposed on their colleagues elsewhere.

But none of Mrs Thatcher's critics pursued the argument further. They did not ask whether they, as Fellows of often autonomous bodies, could persuade these autonomous bodies to do more for academic finances in Oxford or elsewhere, let alone query the relationships between the university itself and the individual colleges. So outsiders might well feel that their attitude was more than a little hypocritical; for in the past 20 years since Lord Franks produced his massive report on Oxford, the colleges have flourished as never before. Their total capital today probably amounts to more than £500m. If this money were invested in gifts, for instance, the return would be enough to give the university its independence from the £42m it gets from the Government in basic support.

Oxford's wealth is fantastic; but then, so is the recent history of the college system. The first few were founded in the middle ages on the medieval notion of a small "fellowship" of impoverished clerks living a monastic life together and studying a narrow range of subjects. Elsewhere in Europe, most of them were established in the 18th century, but at Oxford, more even than Cambridge, they have retained their dominance.

Franks called Oxford a "federal" system, but this is misleading because it implies the colleges owe some kind of allegiance to the university. Legally, they don't. Yet astonishingly, the clumsy and antiquated system by which the university is merely one institution among many, a single voice faced by 30 or more independent colleges, has managed to adapt to the arrival of large numbers of scientists, the admission of women to formerly all-male colleges, the ravages of inflation, the massive growth in numbers of graduates, and an even faster growth in research students.

Oxford is still the country's second biggest university, after London. Of course, Oxford's relative position has slipped over the decades. In the 1920s, it had 4,000 students and 350 academics, accounting for nearly 18 per cent of the British university population; by 1984, the university housed 12,843 students (9,319 of them undergraduates), just under 5 per cent of the national total.

Oxford is, however, a skewed university. More than half its students are

studying the arts or, more surprisingly, the physical sciences. It has 7 per cent of all the arts undergraduates in Britain and 5.6 per cent of all the undergraduates studying the physical sciences, half as many again as at Cambridge (although Cambridge has a far larger engineering school than Oxford). At the postgraduate level, the figures are even more startling: 963 graduates are researching their doctorates in the arts at Oxford, more than 20 per cent of the total for Britain.

These figures provide the (correct) impression of a deeply divided institution. On the one side are the traditional arts dons, their way of life bound up profoundly in the colleges. Their faculties historically are weak but attract the best students at both undergraduate and graduate level, not because the courses they offer are more stimulating or more logically structured but by the sheer marketability of an Oxford degree in an increasingly competitive world. On the other side are the scientists and medics, their reputations bound up with their faculties but attached more loosely to their colleges.

This split is not new. Franks noted: "The scientists brought into Oxford a departmental organisation which, though not quite like that found elsewhere, provided nevertheless a centre for loyalty and a system of administration to rival that dominance of the colleges which had lasted from the 16th century."

The growing numbers of students must, to an increasing degree, be housed by the colleges themselves.

The colleges have coped through a massive programme of buying or building so that most students now get two years in college accommodation at a less-than-economic price.

Yet, in 1964, the 31 colleges seemed totally unable to face the burdens involved. They had a total income from endowments of only £2.7m. Seven rich colleges accounted for well over half the figure, and the bottom 13 a mere 10 per cent of it. Twenty years on, the position has been revolutionised.

Total income — on the basis employed by Franks — has been multiplied more than six times to nearly £17m, over four times the university's own income. The richest colleges have more than kept pace with inflation, but the poorest 13 have seen their incomes rise more than 11 times to over £3.1m. In some of the more dynamic — like Hertford and St Hugh's — incomes have risen nearly 20-fold.

Despite the pressure for more accommodation, student fees supplied an increasing source of financial surplus. The size of fees used to be left to individual colleges (some of which were shockingly greedy), though since the Franks report they have largely been standardised. But the general level was inflated as a result of a long argument in which the civil servants from the Department of Education and Science proved no match for the joint team of bursars fielded by the Oxford colleges. Students, say the bursars unanimously, are profitable (as they should be) at more than £3,000 a head for a 24 week academic year, and the hordes of graduate students herded into their Middle Common Room even more so.

Even today, however, there is an enormous gap between say, Merton, with taxable income of over £1m to divide between just over 300 students, and a college of similar size, St Peter's Hall, with a mere £171,000 to spend — although, as one bursar put it, "looked at from Salford, even the dons at St Peter's are doing jolly well." But even the comprehensive figures provided by the colleges as one result of the Franks report tell only part of the story. For one thing, the colleges' financial burdens vary greatly, and not only because of their size. Christ Church has a cathedral to look after as well as (like New College and Magdalen) a large choir to pay. But, in general, their biggest burden is the substantial sums paid to the Fellows in addition to their salaries as university lecturers.

There are no Senior Lecturers and few Readers at Oxford; but the university takes care of its own. There is an agreed sliding scale so that all dons automatically reach a joint maximum stipend, roughly equivalent to a Reader's salary of over £20,000, generally in their early 40s. Whatever their subject or college, dons are better off than their counterparts in any other British university. Although they do more teaching, there are more of them: Oxford's 2,050 full-time academic staff give a student-teacher

ratio of 6.3 to one, against a national average of 7.2, and not only is their pay better but they also enjoy a wide range of fringe benefits.

The puritan Roundhead, Lord Franks, wanted to slash these too, but his proposals conveniently were forgotten in what remains a Cavalier university. Guests at college dinners believe dons eat and drink lavishly all the time: they don't, and they pay something for their keep. Nevertheless, the social apartheid that separates them from the students includes different and superior food and drink — "common table" and "hospitality" cost the colleges £1.4m in 1983-1984 (although unemployment has ensured that colleges remain staffed adequately: "Monetarism saved the college system," says one bursar).

Apart from their index-linked pensions, the biggest benefits for dons are in housing, with an allowance of £1,000 and £2,000 a year: books, perhaps another £300 annually: a room that costs the college about £1,200 a year; and the opportunity to earn sums varying from a few hundred to a couple of thousand a year by doing odd jobs in college sang-

with a mere £200 a year.

Colleges account, unlike these provided by the university, do not provide a detailed figure for capital values. The colleges' property could well yield an average of 3 per cent; so the £1.5m gross income probably represents a capital value of well over £300m even at today's reduced prices for agricultural land. Similarly, assuming an average yield of 5 per cent, the £9.3m in dividend income probably represents a capital value of £200m.

However, the argument against the college system as it now operates, is not primarily the waste and duplication. Oxford is an academic institution; any proposal designed to weaken the system by forcing the colleges to contribute more to the general running of the university must be based on an academic *raison d'être*. Those faculties with the best reputations (notably medicine) tend to be those with the weakest links to the colleges — the pre-clinical medical department attracts 17 per cent of all the research grants in the country and Oxford's chemistry is among the biggest and best in Britain.

There also is a rumbling dissatisfaction with the way the university is run, a revolt against the traditional norm which also was represented in the anti-Thatcher College accounts, unlike these provided by the university, do not provide a detailed figure for capital values. The colleges' property could well yield an average of 3 per cent; so the £1.5m gross income probably represents a capital value of well over £300m even at today's reduced prices for agricultural land. Similarly, assuming an average yield of 5 per cent, the £9.3m in dividend income probably represents a capital value of £200m.

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Colleges account, unlike these provided by the university, do not provide a detailed figure for capital values. The colleges' property

Top-up clause breaks new ground in takeovers

THE EQUITY market was a bit like the Conservative Party's Blackpool conference this week—it started off limply but perked up as the days progressed. Share prices gently eased throughout the first three days, any thoughts of an early cut in interest rates being finally dispelled by Tuesday's money supply figures. However, on Thursday and Friday the market made up for all the setback and the 30-Share Index closed last night in high ground.

As long as sterling stays around its current level and there are no nasty surprises from the corporate sector the market looks reasonably firmly placed for the moment with bid activity providing plenty of scope.

That most aggressive of acquisition-minded house-builders, C. H. Beazer, has introduced a new tactic for the UK takeover scene. On Wednesday it popped up with a tender offer for 25 per cent of SGB, one of the country's leading scaffolding groups, in a move to lift its stake to 29.9 per cent—an ideal spring-board to launch a full takeover.

Because it wants to issue shares—16 of its own for every 100 SGB—Beazer has had to make a direct offer to SGB's shareholders rather than raid the market directly.

While this is all rather unusual in London, the unique bit is the introduction of an escalation clause. Although Beazer has said it will not bid for at least three months, if it does choose to enter the fray within the next year shareholders who accept the tender offer now will have their payments topped up to match the eventual bid price.

And that Beazer will eventually shoot for the whole of SGB is a racing certainty. The West Country construction group began its quick-fire growth by acquisition four years ago and it hardly paused for breath until this year. In the 12 months to January no less than five bids were made and yet all has been quiet in 1985 apart from a £30m rights issue.

So Brian Beazer is probably keen to get going again, which makes one wonder why he is not going for SGB now as raising the ante would evidently present no problem. By waiting three months the defence can only get stronger.

SGB has been a dull performer in the past but the City is fairly sure that problems in the U.S. and Australia have been contained and even before the bid at least one broker had increased his forecast for the year just ended to nearly £131m pre-tax and had put in around £164m for 1985-86, suggesting 23p of earnings and a single-figure p/e.

The attractions for Clayform

ago, although the management will probably argue over the coming weeks that shareholders have yet to see the group's real potential. Last month in interim losses of £147,000 were reported against £198,000 and the directors forecast a "marked improvement" over the previous year's £1.5m profit. In its heyday of the late seventies profits were over £3m.

The attractions for Clayform

and Zinacef, Fortum and Trandate should have made good progress.

However, a note of caution is necessary over the effects of Glaxo benefited from a currency exchange rate. In the first half surplus of some £12m, but the strength of sterling between the end of December and the end of June means this will have been more than wiped out in the second half. By how much is the question, and uncertainty over the answer means forecasts range from £400m to £430m against £366m last time.

HAWKER SIDDELEY has given an indication that its interim profits will not be much better than last year's £65.7m. Adverse exchange rate movements could have wiped £2m off the contribution from overseas units, leading the City to expect some £67m for the six months to June.

For the last two years the group's profits have been unevenly distributed between the two halves in spite of the apparently smooth growth in sales and margins. Last year the interim disappointed but margins could be hard to hold at the 10 per cent level.

HARRISONS & CROSFIELD'S

In terms of activities, road chairman has already warned of

and rail should be on the rise again after a tough 1984. New contracts in New Zealand and Singapore should see profitability rising. On the engines side standing still seems the order of the day as Hawker retrenches in the face of a contracting market.

Aerospace, mainly Australia and Canada, could be most hurt

Results due next week

by currencies this time due to the 21 per cent drop in the rate of the US against the pound. However, underlying growth in the repair business in the two countries looks good.

In the UK, mining-related business will be picking up after the end of the strike but the rate of improvement will be slow given the pace of change at the NCB. In the U.S. a new president has been put into FASCO but margins could be hard to hold at the 10 per cent level.

Overall, then, the City would not be surprised by a fall to £36m from £39.2m last time.

First half profits from BRITISH HOME STORES due on Wednesday are expected to show a modest 10 per cent advance over last year's £16.5m. Almost no volume growth from existing stores is

a slow start to the year, so no one will be expecting any miracles from the group when it reports on its six months to June on Tuesday.

The plantations will have put in an unexciting performance with prices generally weak compared with last year's levels. H & C's 20 per cent owned Harrisons Malaysian Plantations perhaps has already reported a £2m profits downturn for its first quarter and a further decline can be expected for the half-year.

A downturn is also expected from the timber operations because of poor demand from the UK housebuilding industry, and any upturn in the chemicals operations looks vulnerable to further problems with margins in the U.S. Meanwhile, the newly-acquired Pauls is unlikely to have done more than wash its face on financing costs at an early stage.

Overall, then, the City would not be surprised by a fall to £36m from £39.2m last time.

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advance over last year's £16.5m. Almost no volume

growth from existing stores is

forecast, as sales were hit by poor weather and by slack consumer demand in the North.

The company's extensive refurbishment programme may also have disrupted sales during the first half, while the costs of revamping together with the financing of the new stores in Cardiff and Leicester may have reduced the net interest position from last year's inflow of £1m.

Despite a continued trend towards higher labour productivity, gross margins are likely to have deteriorated as prices were cut in order to shift spring and summer stock.

However, the City does not seem unduly concerned at the prospect of a dull first half from

Ulcers are good news for Glaxo

THE ANTI-ULCER drug Zantac has proved to be something of a goldmine for GLAXO. Launched in late 1981, it has now reached all major markets and is probably the world's second biggest selling drug. In its longer established markets it is overtaking the world's top seller, SmithKline's Tagamet.

Zantac's meteoric sales growth produced first-half profits for Glaxo which were well up on forecasts, and the City is expecting something equally impressive when the group reports on its year to June on Monday.

On the underlying trading performance, it is unlikely to be disappointed. Sales of Zantac are thought to have doubled in the U.S. and made strong advances elsewhere, so that the drug will probably have contributed nearly half of group profits last year. Meanwhile, the other products such as the

group's profits have been unevenly distributed between the two halves in spite of the apparently smooth growth in sales and margins. Last year the interim disappointed but margins could be hard to hold at the 10 per cent level.

In terms of activities, road

chairman has already warned of

INTEREST RATES: WHAT YOU GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 30%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	6.00	6.00	4.79	3.48	half yearly	1	—	0.7
High interest cheque	8.23	8.51	6.69	4.86	quarterly	1	2,500 minimum	0
3-month term	7.81	8.04	6.32	4.59	quarterly	1	2,500-25,000	90
BUILDING SOCIETY								
Ordinary share	7.00	7.12	5.60	4.07	half yearly	1	1,250,000	0
High interest access	8.75	8.73	6.88	5.00	yearly	1	500 minimum	0
90 day	3.50	3.73	7.61	5.56	half yearly	1	500 minimum	90
Premium	9.40	9.74	7.63	5.56	quarterly	1	10,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.50	8.05	6.33	4.60	yearly	2	5-50,000	30
Income bonds	13.25	9.85	7.73	5.62	monthly	2	5,000-30,000	29
31st issue	7.83	7.85	7.65	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.52	8.52	8.52	8.52	yearly	3	—	8
MONET MARKET ACCOUNTS								
Money Market Trust	8.64	8.83	6.94	5.04	half yearly	1	2,500 minimum	0
Schroder Wag	8.33	8.63	6.80	4.91	monthly	1	2,500 minimum	0
Provincial Trust	8.60	8.95	7.03	5.11	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS*								
10% Treasury 1987	10.64	6.97	5.15	3.32	half yearly	4	—	0
11% Exchequer 1990	10.56	7.14	5.44	3.74	half yearly	4	—	0
10.25% Exchequer 1995	10.66	7.43	5.83	4.22	half yearly	4	—	0
3% Treasury 1987	8.30	7.20	6.65	6.11	half yearly	4	—	0
3% Treasury 1983	8.38	7.41	6.92	6.44	half yearly	4	—	0
Index-linked 1988	9.24	8.61	8.30	7.98	half yearly	2/4	—	0

*Lloyd's Bank. † Held for five years. \$ Source: Phillips and Drew. ‡ Assumes 5 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

MARKETS

HIGHLIGHTS OF THE WEEK

FT Ordinary Index	Price y'day	Change on week	1985 High	1985 Low	Revived institutional buying
1,027.5	+11.0	1,037.5	911.0	900	Bid from French Kier
Abbey	103	+13	103	50	Bid from French Kier
Bond Corporation	123	+19	123	61	Firm Australian industrial
British Aerospace	480	+25	483	295	Expected aircraft sales to India
Burnash Oil	316	+12	318	200	Takeover speculation
French Kier	213	+24	213	117	Trafalgar House bid hopes
Guinness	306	+13	306	225	Re-rating continues
Higgs and Hill	432	+27	432	280	Better-than-expected interim results
Homes Counties News	105	-28	171	108	Poor half-year and title closures
Mercantile House	243	-30	267	218	U.S. commission price war worries
Metal Box	515	+30	515	375	Revived institutional demand
Noble and Land	55	+244	56	10	Asset injection hopes
Norham Electronics	215	-50	205	200	Selling in restricted market
Oil Search	421	-141	453	10	Hopes of Papua New Guinea oil find
Owen Owen	455	+40	470	178	Clayform bid rejected
RMC	444	+18	444	344	Government spending hopes
Rustenburg Platinum	540	+50	895	470	Favourable comment in U.S. Press
SGB	220	+21	224	134	Beazer tender offer
Sparrow (G. W.)	70	+31	72	30	Bid from BET
Westland	53	+18	151	52	Expected helicopter sales to India

Tips, hints and a touch of audacity

WHILE cocksure Clayform Properties, which joined the USM only six months ago, showed pre-tax profits up by just 10 per cent to £83.5m including an initial contribution from Foster Brothers, worth £1.5m before finance costs.

The problem area for the second summer running turned out to be shoes. A year ago Sears was complaining that the fashion for plastic-moulded shoes—jellies—had singed margins leaving footwear profits 22.4m lower at £30.2m. This time around the division's trading profit has slumped to £23.6m.

To an extent the 8 per cent

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FIRST the ecu traveller's cheque, then the ecu bond fund. Gartmore has become the first British group to offer investors the option of investing in a fund denominated in European Currency Units, an intangible currency made up of a basket of other European currencies.

Gartmore is adding the ecu option to its Capital Strategy Fund, a \$100m (£70.9m) umbrella fund offering investors with a minimum of \$25,000 a choice of equity, currency and bond funds. Units are sold at net asset value, without a front end charge, so switching between the sub-funds is free. It is also adding a European equity fund.

The fund also pays no commission to brokers and financial advisers, unless their clients expressly authorise it—if they do, it can be paid in the form of an initial charge, a conversion charge or an annual fee.

Gartmore's Peter Scott says ecu bonds are now yielding around 8 per cent, much closer to sterling gilt yields and better than dollar bonds. For a UK investor, the ecu fund does carry some risk of a currency loss, as well as the prospect of a capital gain as the ecu appreciates against sterling. Because the ecu is a basket of currencies, the risk should be less than for a

single currency—and volatility should be reduced if the UK joins the European Monetary System.

INVESTORS in the Alliance and Leicester building societies have lost out now that the two have merged, according to Building Society Choice, the monthly publication which monitors interest rates. The new society retains some of the good features of the Alliance's and the Leicester's accounts, such as the Alliance Banksave cheque account, now renamed Banksave Plus. But it has killed off the Leicester's Moneybox for children, which offered some worthwhile discounts and freebies, and it has tightened some of the conditions attached to the instant access Gold account, the 90-day Premium Plus account and the MoneyBuilder regular savings account.

PARTIALLY sighted customers can now get large-print bank statements from National Westminster Bank. The bank already has around 1,400 customers using its in-house braille printing service, which has been running since 1976, and large-type facilities should help a great many more. NatWest cash machines are also soon to incorporate a double beep to help visually handicapped customers to know when to press the buttons.

FOREIGN & Colonial is following Warburg's Mercury unit trust group in launching a European income fund. It is intended to yield 5 per cent gross, by investing in equities and convertibles. The fund managers have allowed themselves to put up to 15 per cent of the portfolio in bonds or convertibles, but

include no bonds in their initial model portfolio. Units are priced at 50p, with a 1 per cent discount for investments over £2,500 made before October 31. The annual charge is 1 per cent.

MERCHANT Investors, the English arm of the largest Dutch insurance group, has launched a unit-linked investment bond, called Flexible Investment Portfolio. It offers a choice of 32 unit trusts to invest in through an insurance link, as well as 10 of Merchant Investors' own funds. But it is a once and for all choice—you cannot switch from the MIF funds to the 32 unit trust options, which include managed funds composed of Henderson and TSB unit trusts. Other fund managers involved in the link are Framlington, Gartmore and Perpetual.

Framlington, meanwhile, is launching its own managed fund, a Guernsey company which will invest in a portfolio of Framlington's onshore unit trusts.

LANCASHIRE and Yorkshire Investment Management is offering shares in Hitech Lighting under the Business Expansion Scheme. Unlike some of the companies offered in the BES, Hitech has already started trading, although it has only a one-year record to date in the low-voltage lighting sector.

The company is seeking to raise up to £600,000 at an issue cost of between 278,000 and 290,000.

With shares priced at 150p and profits in the nine months to March 31 of £61,000, the company is being sold at a price 35 times its current earnings. Profits are forecast to rise to £171,000 next year, reducing the multiple to 16 times.

There are two main types of off-the-peg CTF schemes. One, usually called "inheritance trusts," requires the donor to set up a trust for the benefit of his heirs and to transfer money to it partly in the form of a gift and partly as an interest-free loan. The trust assets are then usually invested in a single premium insurance bond. One variation is for a large gift to be made to the trust, part of which is returned to the donor in the form of an interest-free loan.

The second category, commonly called "discounted gift schemes," requires a gift to be made to a trust effectively controlled by the donor from which he continues to receive the income until he dies. A combination of two artificial insurance policies, which mature only when the donor reaches the age of 105, is designed to ensure that the value

FINANCE & THE FAMILY

Rethink for tax avoiders

of his gift for CTF purposes is challenged, although the Revenue has not yet specified which.

But the Revenue's Capital Taxes Office (CTO) made one point of relevance to the Legal and General Capital Preservation plan, the most popular discounted gift scheme, which has attracted about £300m of donor wealth.

Legal and General and a few other life offices have claimed that, because the CTO has agreed with them on the assumption of gifts paid into their schemes, the schemes will not be challenged later, for example when the donor dies.

But the CTO says: "If someone wants to have a valuation agreed with us now on the assumption that the scheme will not be challenged, we may help. But if you value something, it does not mean you are going to buy it."

"We do not want imprudent arguments on our hands before any tax is assessable."

The discounted gift schemes are vulnerable because of their artificial life assurance policies. They are "artificial" in the sense that the relationship between the premiums and benefits of each one individually could not be justified on actuarial grounds. The Furniss v Dawson approach allows the taxman to strike out any step inserted into a composite transaction purely for the purpose of avoiding tax. The Revenue may argue that without the artificial life policies no gift would have been made for CTF purposes. Therefore their effect can be ignored.

The cases sent to the Special Commissioners, who arbitrate on legal questions in tax disputes, are apparently to be heard early next year. The only cases that the Revenue has so far confirmed it is challenging are some of the more extreme variations of the discounted gift schemes marketed by Albany Life and Abbey Life designed to dress up a gift as a non-gift and avoid any CTF liability.

Some other types of off-the-peg schemes are also being

Allied's retirement advice

ABOUT 10,000 people each week reach State retirement age. Most will be completely unprepared for it.

To cope with this, several organisations have been providing pre-retirement counselling services, including such leading life companies as Legal and General, Prudential, and Standard Life. Today, Allied Dunbar, the largest unit-linked life group in Britain, joins them.

Allied Dunbar is adopting a different approach and style to the others which all have a strong involvement in the company pensions business. This gave them an initial client base, however, non-financial aspects, such as health, housing and hobbies, also will be covered.

The basis of the course material is covered in a new hardback book called Retirement Planning Guide. It will be available generally to compete with the host of rival publications.

Eric Short



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Interest rates

Quarterly payments more attractive

BRITISH BANKS offer many causes for complaint, but at least you can usually rely on them to do their sums correctly.

Usually, but not always. When it comes to calculating interest rates on their deposit accounts, most of the UK's largest banks have been adding up wrongly. Less charitably, you might say they have been misleading the investing public by claiming to pay just a little bit more than they really do.

When you put your money into a bank deposit account or a building society account, you will receive interest net of basic rate tax—only National Savings can still pay interest in full, without deducting tax. Banks and building societies also quote a "gross equivalent" rate, the amount a basic rate taxpayer would have to earn gross in order to receive the same amount net.

If interest is credited to your account more than once a year, however, you will end up receiving more than the basic net rate, as you will get interest compounded on the early interest payments.

If you put £1,000 into an account paying 8 per cent net, crediting interest once a year, you will receive £80 at the end of the year. But if interest is credited four times a year, you will receive £82.43p. The gross equivalent of this compounded sum to someone paying tax at the normal 30 per cent rate is £117.76, or 11.77 per cent.

So why does the Midland Bank, which pays 8 per cent net on its High Interest Cheque Account and credits interest four times a year, quote a gross equivalent of 11.92 per cent? The answer is that Midland, like the other London clearing banks and many other banks, first calculates the gross equivalent of its basic net rate, and then compounds this figure. What it should do is compound the net rate, and then calculate the gross equivalent of that.

The accounts that add up correctly

	Gross equivalent %	CAR %
Bank of Scotland	12.18	12.18
Britannia	12.58	12.39
Citibank	14.28	
Co-op	10.41	
Henderson	12.18	
M & G	12.35	
Save & Prosper	12.05	
Western Trust	12.83	

How the banks miscalculate their compound gross equivalent rates

	Their figure	True figure	Rate %
Adam & Co	11.93	11.78	
Aitken Hume	12.58	12.21	
Barclays	12.32	12.16	
Charterhouse Japeth	12.34	12.21	
Dartington	12.27	12.11	
Edward Mansons	12.98	12.77	
Lloyds	12.32	12.16	
Midland	11.92	11.78	
Provincial Trust	13.00	12.78	
Royal Bank of Scotland	12.27	12.21	
Tyndall	12.57	12.35	
Schroder Wag	12.50	12.35	

The difference is usually small—a couple of pounds, in most cases. Yet, there can be no excuse for a bank deliberately to calculate in a way that bears no relation to reality.

The subject is now being considered by the Bank of England, after complaints from some smaller banks, and it is also under discussion by the British Bankers Association; but the BBA is expected to take its time deciding. "There are technical difficulties," the association said. "It is more complicated than it looks."

The building societies, who have been doing gross equivalent sums without difficulty for years, do not see the problem. "It has been agreed with the banks," said the Building Societies Association. "It is perfectly simple."

George Graham

Unit trusts

A matter of regulation

THIS IS the age of consumerism and the Government is in the middle of preparing its legislation on investor protection to be introduced in the next parliamentary session. The unit trust movement, as an important part of the investment scene, is heavily involved in these proposals for investor protection.

Not that the movement is a particular cause for concern. Professor Jim Gower, the founding father of the current investor protection moves, gave the unit trust industry a clean bill of health. Indeed, he felt that, if anything, unit trusts had been overregulated, compared with the scant regulation of certain other forms of investment.

The protection given to unit holders, existing and prospective, now comes in two forms—control of the management companies and control of marketing.

Regulation of the management groups is exercised by the Department of Trade and Industry in conjunction with the trustees to the individual trusts. This can be considered in three stages.

• Authorisation by the DTI and subsequent supervision of the management group. This ensures that the trust is set up and managed in accordance with the rules, with the DTI having control over the managers.

In theory, and in practice to date, the sharper operators on the investment scene are not able to get past the DTI approval system.

• The authorisation of the individual trust again by the DTI, which scrutinises the details and investment powers of the trust deed. This prevents investment not in accordance with the legal provisions. Such restrictions may slow down innovation, but they avoid Signal Life-type scandals.

The trustees, invariably corporate trustees from the clearing banks or a few life companies, not only control the managers but physically hold the assets. There is simply no opportunity to move assets around between the trust and the managers.

The Prudential, Britain's largest life company, has recently launched a major drive for unit trust business through its field force. It has introduced its own system of testing-based mainly on a multiple choice approach.

However, these salesmen can only market the general capital and income trusts. Sales of the specialist trust must either come through a specialist intermediary or Prudential's own specialist team.

Prudential shortly to launch a trust of trusts—a trust which invests in other unit trusts, the management being done by the Prudential.

There are strict rules on direct marketing. Salesmen are only permitted to respond to the requests of investors and are not allowed to indulge in high pressure techniques.

Interest rates

WHEN the nail biting is over and you finally hear that your offspring has managed to get a university place the financial implications begin to dawn. All students are eligible for the mandatory grant covering tuition fees to a maximum of £520 paid direct to the academic institution.

Then comes the sticky bit—as the maintenance grant paid to the student. Under criteria recently introduced by the Government many students will not be eligible for a maintenance grant while the burden on most parents has also been increased.

This has prompted Mr Donald Ratcliffe, senior lecturer in history at Durham University, and a parent of a student, to write to us pointing out the "invidious financial position" he and fellow parents find themselves in with the students grant trimmed and the parental contribution increased.

Allowances are also made for any other dependent children and adults. The "magic" figure for residual income is £8,100.

This is the maximum level of a parental residual income at which a student is eligible for a full grant. From then on the parental contribution, and thus allowable grant, is progressively reduced.

Maintenance grants have been increased by 3 per cent this year—less than inflation. This brings the maximum maintenance grant for a student in a London college to £2,165 a year. For a student outside London it is £1,830, and £1,480 if the student is living at home.

The actual amount any one student receives, however, will depend on their parent's contribution which in turn is assessed on parental income. Students are to be entitled to a minimum grant of £206 a year which has been abolished. Previously such students would have been eligible for the minimum award.

The parents' contribution is based on their residual income.

Mr Ratcliffe comments, that surely

This is arrived at after deducting from their gross income certain allowances for mortgage interest, on which tax relief is given, superannuation contributions and for half the gross premium payable under a life assurance policy qualifying for income tax relief.

burdened parents simply evade what he describes as an "extra tax" by simply not paying the assessed contribution to their child. Not only does this jeopardise the students' education but, according to Mr Ratcliffe, some institutions of higher education are making the student's admission conditional on the parents formally promising to pay their assessed contribution.

So what can you as a parent do to your "residual" income and so increase the amount of grant payable to the emerging academic in your household? In practice, not very much. The two main choices are to step up any expenditure which can be offset as allowances or else reduce or defer your income.

Unless you are flush with funds there is little to recommend the first option. Increasing your mortgage to the maximum eligible for interest tax relief—£30,000—by moving up market or installing a swimming pool or even a modest extension still involves an additional initial expenditure.

The National Union of

Students reckons that in many cases the parental contribution is as high as 16 per cent of net income. It also means that any student whose parents' residual income amounts to £17,500 and over will receive no grant.

Previously such students would have been eligible for the minimum award.

Little wonder then, Mr Ratcliffe

is arriving at after deducting from their gross income certain allowances for mortgage interest, on which tax relief is given, superannuation contributions and for half the gross premium payable under a life assurance policy qualifying for income tax relief.

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Students reckons that in many cases the parental contribution is as high as 16 per cent of net income. It also means that any student whose parents' residual income amounts to £17,500 and over will receive no grant.

Previously such students would have been eligible for the minimum award.

Little wonder then, Mr Ratcliffe

is arriving at after deducting from their gross income certain allowances for mortgage interest, on which tax relief is given, superannuation contributions and for half the gross premium payable under a life assurance policy qualifying for income tax relief.

burdened parents simply evade what he describes as an "extra tax" by simply not paying the assessed contribution to their child. Not only does this jeopardise the students' education but, according to Mr Ratcliffe, some institutions of higher education are making the student's admission conditional on the parents formally promising to pay their assessed contribution.

So what can you as a parent do to your "residual" income and so increase the amount of grant payable to the emerging academic in your household? In practice, not very much. The two main choices are to step up any expenditure which can be offset as allowances or else reduce or defer your income.

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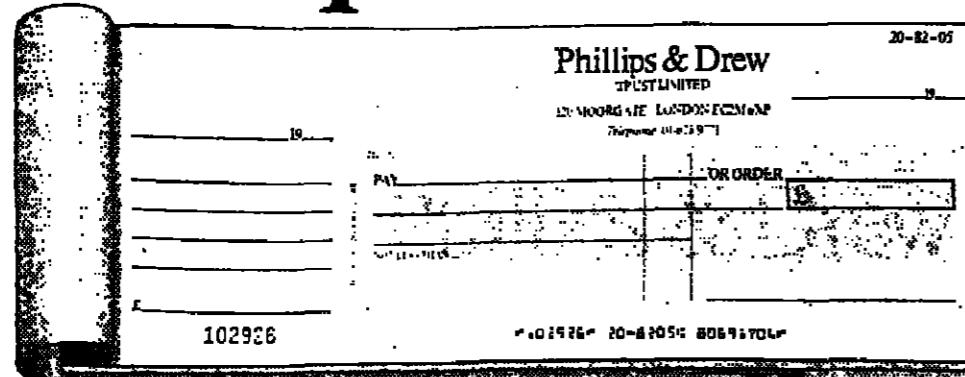
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Announcing a new cheque account.



You'll find the difference of considerable interest.

A High Interest Cheque Account from Phillips & Drew Trust Limited.

These days there are lots of high interest cheque accounts in the market but we believe that you will find this one rather different in a number of valuable respects.

Money Market Expertise

First consider the interest rates we offer. With Phillips & Drew Trust you don't just get the rate fixed by a single institution - you get the benefit of many years of experience in the Money Markets.

Every day we carry out a comprehensive review of the rates available and as a result our depositors benefit automatically from an average of the best rates offered by the very best institutions at all times.

A Stockbroking Service on call

Share Service

Another plus for account holders is exclusive access to the new simplified "Share Service" provided by Phillips & Drew, the Stockbroker. Without further formality you are able to buy or sell shares or unit trusts simply by telephoning Phillips & Drew on a special number and giving your instructions.

Market Review

High Interest Cheque Account holders will automatically receive from Phillips & Drew a free copy of their monthly magazine giving an overview of activity in financial markets throughout the world.

Free Desk Top Portfolio

And here's some more good news. As an account holder you will receive entirely free of

charge, a luxurious desk top portfolio, designed to hold your cheque book, paying-in book and statements. There's also plenty of space for your personal stationery.

How the account works

Opening and operating the High Interest Cheque Account is simplicity itself.

You need to make an initial deposit of £2,500. Thereafter the minimum transaction size is £250. Interest is credited at the end of each quarter, after discharge of the liability to the basic rate of tax. Detailed statements are sent quarterly, or can be requested at any time free of charge.

There is no charge for opening an account. Our management and administration costs are met by means of a deduction of not more than 1 1/2% from the rate of interest received on the placement of depositors' funds.

Withdrawals can be made whenever you require them and, if you can give us 7 days notice of withdrawal (either by telephone or in writing), you will lose no interest. When you make a payment by cheque, 7 days interest will be deducted.

So, if you'd like to start making more of your money now, complete the coupon and return it to us with your cheque.

On receipt we will send you full details together with an application form for you to complete and, when you return it, you will receive your cheque book and Desk Top Portfolio.

Alternatively, for further details tick the box in the lower part of the Coupon.

It all adds up to a difference of considerable interest.

Phillips & Drew Trust Limited, 120 Moorgate, London EC2M 6XP. Telephone: 01-628 9771.

Please send me further details of Phillips & Drew Trust Limited's High Interest Cheque Account.

To: Phillips & Drew Trust Limited, 120 Moorgate, London EC2M 6XP.

Full Name(s): Mr/Mrs/Ms: _____ (in block capitals)

Address: _____

Postcode: _____

Tel. (Home): _____ (Office): _____

Date: _____ FT2

Phillips & Drew Trust Limited

I complete this part if you wish to open a High Interest Cheque Account NOW.

I enclose a cheque (minimum £2,500, payable to Phillips & Drew Trust Ltd) for £_____, to open a High Interest Cheque Account.

Are you resident in the UK for tax purposes? Yes/No

We understand that in order to maintain a High Interest Cheque Account, we shall have to sign an application form, agreeing to our terms and conditions.

Signatures: _____

FT2

FINANCE & THE FAMILY

Investment trusts

A bonanza goes begging

"IF YOU'VE got it, flaunt it" seems to be a lesson that investment trusts—struggling to throw off their stodgy and somewhat old-fashioned image—are at last learning.

These quoted companies, set up in the late 18th century to give private investors a chance to spread their risks by investing, indirectly, in a number of companies, have been losing out badly in recent years to their more glamorous rivals in the unit trust and unit-linked assurance world.

Investment trusts cannot, even if they wanted to, advertise their shares. And financial advisers can earn more putting their clients cash elsewhere. Inevitably then, insurance companies and pension funds have taken over from the private punter as the trusts' principal shareholders.

What has given these funds that extra something? After all, they're in the same game—professional management of a portfolio of shares—and their tax treatment is identical to unit trusts.

As "closed end" companies with a fixed share capital, investment trusts need not worry about the sort of volatile behaviour of investors that can give unit trust managers sleepless nights. If the punters start pulling out they need not sell assets and build up cash to meet redemptions—the share price just falls. That means they can take a longer term view and put more cash in unmarketable securities (unquoted companies, etc) that may offer the greatest growth potential.

A look at the performance tables, though, suggests that investors have been missing out on a bonanza. Over the last 10 years, investment trust shares have on average beaten unit trusts (after reinvesting in come) by more than 50 per cent.

The other big difference

producing a handsome return of nearly 1,000 per cent.

In the shorter term, investment trusts are also ahead. Over the five years to September, they clocked up a total return of 125 per cent, compared with 107 per cent by unit trusts.

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between investment and unit trusts is that they can gear up by borrowing through loans, debentures, preference shares, etc. Unit trusts are limited to "back to back" loans, which they use as a currency hedge by borrowing foreign currency and depositing the sterling equivalent.

A highly geared trust can be very profitable when interest rates are low and markets buoyant (if conditions are less favourable, of course, the strategy can backfire). In recent years, interest rates have tended to be above equity yields so gearing has initially depressed income to shareholders—but income growth on the extra assets bought has lifted earnings over the longer term.

Lately, high interest rates have discouraged trusts taking on new long term debt, and maturing loan stock is frequently not replaced. Short term borrowing for special tasks rules the day. But there are exceptions: New York arbitrageur Ivan Boesky's Cambrian and General Trust is around 800 per cent geared.

Investment trusts also dabble where unit trusts dare not (or are forbidden). There is no limit to the unquoted and unlisted stocks they can buy (unit trusts can only keep 5 per cent in the former and 20-25 per cent in the latter), they can invest in real estate (rather than just property shares). And they are free to use the options and over-the-counter markets.

But it is their relatively heavy overseas exposure that has had the greatest impact on performance over the past five years. Since the abolition of exchange controls in 1979, trusts have put more than 50 per cent of their assets abroad. So the slump in sterling gave them a big fillip.

Last year was not so happy, since many trusts decided to early that the dollar had peaked

and hedged much of their U.S. portfolios. They underperformed the Capital International Index by 9 per cent, but their 20 per cent return still beat the 16 per cent average recorded by unit trusts.

Discerning investors have been put off vague and general investment policies of many trusts and opted for a more exotic unit trust specialist. Lately though, trust managers, often under pressure from institutional shareholders, have tightened their objectives and portfolios. In recent months trusts have been launched concentrating on smaller German companies, plantations, and Scandinavia, while London Trust has been converted into a U.S. venture capital operator.

Because of their minimal promotional costs, investment trusts charge lower management fees than unit trusts. But small savers can find it expensive buying shares through a stockbroker.

Minimum commission is generally £10-15, so the cost of buying and selling any investment under about £400 will be more than the 6-7 per cent front end load on a unit trust. Small savers are probably better off in a unit trust savings scheme. Some trusts, however, notably

Martin Winn

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(Incorporated in England under the Building Societies Act 1874)

Placing of £20,000,000 11% per cent Bonds due 20th October 1986

Listing for the bonds has been granted by the Council of The Stock Exchange. Listing Particulars in relation to The Nationwide Building Society are available in the Extel Statistical Services. Copies may be obtained from Companies Announcements Office, P.O. Box No. 119, The Stock Exchange, London EC2P 2BT until 15th October 1985 and until 28th October 1985 from:

Fulton Packshaw Ltd., 34-40 Ludgate Hill, London EC4M 7JT

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12th October 1985

The expensive way to look after your stocks and shares?

Do it yourself.

As most private investors are aware, there are always excellent investment opportunities—the difficulty is in identifying them and in taking the right action at the right time, and in knowing when to sell as well as when to buy.

In a climate of volatile interest rates and exchange rates and of uncertain political influences, this is not easy. And the consequences of getting it wrong can be very expensive.

Informed and effective investment calls for sophisticated and constant monitoring of markets, fast communications and expert judgement: the kind of stockbroking services provided by the Strauss Turnbull Private Client Service.

If you have invested, or available for investment, £25,000 or more, we can help you.

Send for our brochure today.

To: Strauss Turnbull & Co Limited, Montague Place, London WC1, Tel: 01-638 5699. Member of the Stock Exchange. Please send me your Private Client Service brochure.

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PRIVATE CLIENT
SERVICE

redundant when their employer decided to close the local factory and concentrate manufacture elsewhere. In addition to redundancy payments the company offered them the benefit of maintenance agreements in their area in respect of the company's products.

Bill and John ran the contracts together using subcontract labour. They traded profitably for about a year, then business fell away rapidly as their customers failed to renew the agreements. They agreed to cease trading.

John and his wife emigrated to New Zealand within a few weeks. The day John left, Bill took their accounts to the local tax office where an inspector explained how their tax liability would be assessed.

The inspector calculated the respective amounts of tax payable by each partner, explaining that, although they were equal partners in business, their personal allowance claims were not the same.

When the tax assessment was received Bill wrote to John in New Zealand asking him to send his share: just over £2,000.

John wrote back a rather nasty letter. He could not understand why Bill had interfered in his personal tax affairs and wanted to deal with the British tax authorities himself.

Neither Bill nor John understood the law concerning partnerships. The Collector of Taxes did, and called to see Bill. The Collector had received a cheque for just under £2,000 which Bill pointed out was his share as calculated by the inspector, adding that the Collector would have to seek the rest from John in New Zealand.

The Collector of Taxes did not seem as friendly as the inspector had been.

He explained to Bill that in an agreed partnership each partner was liable for all debts, including tax, and if the balance was not paid within ten days summons would be issued.

Bill sought help from a solicitor who said that Bill could not avoid paying the debt if he had the funds (which he did). The solicitor also explained the difficulty of proving a partnership debt, when no country would allow its courts to be used to collect another country's tax.

Bill and John, both senior technical employees, were made

The Gresham Trust Business Expansion Fund 1985/86

Following the successful launch of The Gresham Trust Business Expansion Fund 1984/85, announced in November 1984, which raised approximately £1.72m and was fully invested by 5th April 1985, Gresham Trust is now launching a fund for the tax year 1985/86.

WHAT THE FUND OFFERS INVESTORS:

- The opportunity to invest in a diversified portfolio of unquoted ordinary shares.
- The benefit of Gresham's long experience of investment in unquoted companies and the investment opportunities made available to Gresham because of its established reputation.
- Tax relief at the highest marginal rate of tax and the chance of a high after tax return.

Applications, which will be dealt with in strict order of receipt, should reach Gresham Trust not later than 1st November 1985.

The minimum investment is £2,000; maximum £40,000.

For a copy of the Memorandum and application form, phone or return the completed coupon. Participants should recognise that investment in unquoted companies carries a high risk as well as the chance of high rewards. Before deciding to proceed with an application, individuals should take financial advice taking account of the risks involved and their own financial circumstances and tax position.

This advertisement does not constitute an invitation to participate in the Fund; subscriptions must be made on the terms of the application form contained in the Memorandum.

R. B. Cannon

FT2

To: Gresham Trust p.l.c., Baringford House, Gresham Street, London EC2V 7HE (Telephone: 01-606 6474) Please send me a copy of the Memorandum inviting participation in The Gresham Trust Business Expansion Fund 1985/86.

Name: _____
Address: _____

Gresham Trust p.l.c.

FT2

"I GOT THE OLD ENDOWMENT OFF SCOTTISH AMICABLE, AND A REAL SMACKER OFF THE DUCHESS."



THE DUKE OF WELLINGTON

"Ain't I the blue-eyed boy?
I only fixed up an endowment with
Scottish Amicable, that's all.

I'm no fool. A bloke in my
position, on the back of the fiver,
gets to know all about money, I mean,
I've been in more wallets than the
Chancellor of the Exchequer.

And I found out that Scottish
Amicable have come top of all the
tables in Money Management's 1985
survey of with-profits endowments.

Love a duck. Love a duchess, I
ought to say. She ain't arf pleased.

So she should be. I've got an
endowment mortgage on a little
semi, only 20 minutes from Waterloo.

And that's just for starters.
With Scottish Amicable doing the
business, the odds are, we'll get a

tasty lump sum on top. Tax-free, too,
courtesy of my mate The Chancellor.

We should be rolling in loot. I
needn't flog off my medals after all.

So, give your old Dutch a treat.
Have a word with your building
society or insurance geezer about
a Scottish Amicable



place to settle down."

WE'RE A COMPANY OF NOTE. JUST ASK
YOUR FINANCIAL ADVISER.



FINANCIAL TIMES CONFERENCES

THE SDI, EUREKA AND INDUSTRY

This topical FT conference assesses the SDI and also comments upon Eureka. It is, however, primarily a forum to explain to international business executives the best prospects for them in the 25 billion dollar SDI programme and give guidance on how they can best position themselves to secure contracts. Chaired by Lord Chalfont, the speakers will include:

Dr George A Keyworth, II

Dr Allen E Puckett

Dr Gerold Yonas

Mr Earle C Williams

Mr H Metcalfe, OBE

Prof Michael E Howard, CBE, MC, FBA

Mr Michael Clark, CBE

Dr Barry Boehm

Mr Paolo Fasella

M. Jean-Louis Gergorin

Dr Raffaele Palieri

Mr R Michael McCullough

London

4th and 5th November, 1985

Please send me full details of

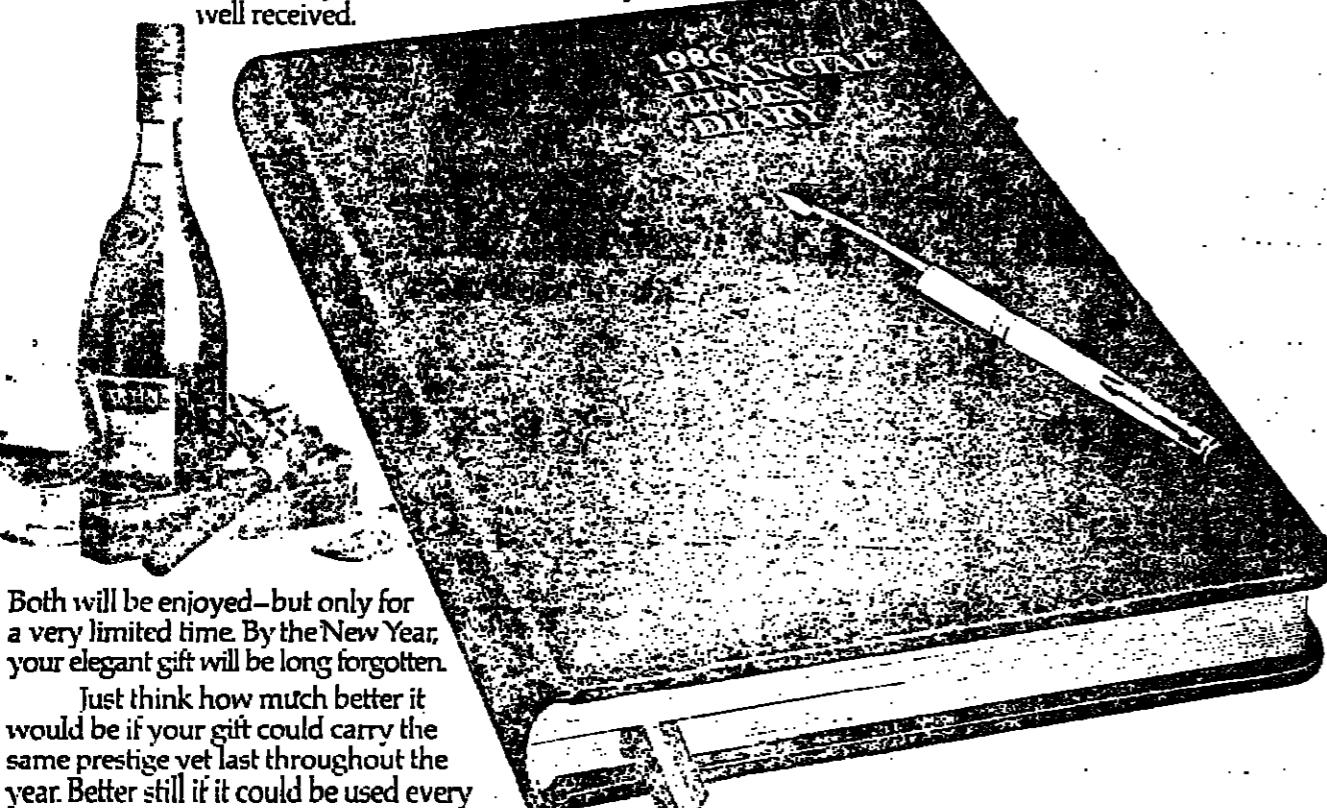
The SDI, Eureka and Industry Conference

To: Financial Times, Conference Organisation, Minster House, Arthur Street, London EC4R 9AX. Tel: 01-621 1355 Telex: London 27347 FTCONF G

Name _____
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Of all prestige business gifts, one outlasts and outperforms all others.

What will you be giving your most valued customers this year? An extravagant hand rolled cigar? A bottle of the finest French brandy? Both are sure to be very well received.



Both will be enjoyed—but only for a very limited time. By the New Year, your elegant gift will be long forgotten.

Just think how much better it would be if your gift could carry the same prestige yet last throughout the year. Better still if it could be used every working day when you need to keep your name in front of the people you most want to influence.

The Financial Times Diary is the obvious answer. Of all the diaries produced to meet the needs of business executives, only the Financial Times Diary really succeeds.

No other diary contains such a wealth of information. Information which has been carefully researched and presented to meet the needs of internationally minded business executives. Personalised with your customer's name or displaying your company logo or publicity pages, it's a practical and elegant gift which your most respected customers will value throughout the year.

The Desk Diary and the complete range of matching products are all available in a choice of superb black or burgundy bonded leather and we offer generous discounts on orders of 25 items or more. So find out more about the business gift that outperforms all others. Complete the coupon or phone us now on 01-623 1211 or 01-623 7409.

The name says it all

WITH ABOUT 5m cheques presented for payment to banks in this country every day, it is a mammoth task to examine them all thoroughly. Nevertheless, the job remains a 100 per cent clerical operation.

Signatures present a special problem. Some clerks are able to memorise a remarkable number of their customers' signatures well enough to query one which is out of style. Naturally, special attention is given to high value cheques of, say, £1,000 and more.

The trouble is our signatures change. We lose a few letters turning them into a squiggle, or we add an extra flourish. It is important therefore, to give your bank an up-to-date specimen of your signature at least every two years.

If your bank is not sure whether a signature on one of your cheques is genuine, they will contact you and ask you to confirm that it is in order.

Obviously, the more difficult it is to forge your signature the

cheque may be returned marked "signature differs" or "signature requires confirmation."

The bank is liable for any loss involved if it pays a forged cheque or acts on instructions which are not authentic. It matters not whether it is an obvious forgery or skilfully executed.

However, you have an obligation to tell the bank immediately if you discover or suspect that a cheque or other instruction to the bank has been issued without your authority. Failure by a customer to do so may mean that they will be considered guilty of misleading the bank and consequently lose any claim they might have against it.

For example, a customer could cause the bank to pay a cheque which it might otherwise have refused, or prejudice its action against a forger. In one case, a man deliberately altered his signature and then accused the bank of paying a forged cheque. He did not get away with it.

Obviously, the more difficult it is to forge your signature the



better it does not, of course, have to be legible. Do not sign in pencil. Strictly speaking, it is not illegal, but it is dangerous for obvious reasons and the banks strongly disapprove. To be on the safe side use an ink which is immediately permanent.

If you hurt your hand or become ill so that you cannot sign in your usual style, make a mark in the place for your signature and have it witnessed by your doctor or another responsible person.

You should also ask your doctor to give you a certificate for the bank to the effect that you are in full possession of your faculties and your inability to sign is due to your illness.

Harold Baldwin

CHOCAHOLICS are weeping in the streets. Barker & Dobson is no longer giving shareholders a discount on purchases of its Charbonnel et Walker chocolates. The prospect of 10 lb of Charbonnel Mint Crisps at 20 per cent below list price has long been the Stock Exchange's most toothsome boost to wider share ownership, but the concession has now been suspended.

If your sweet tooth is really sultering, you could buy shares in Bassett Foods, which is once again offering 10% of its nougat, allsort and jelly baby factories to investors, but Charbonnel aficionados will have to sustain themselves on the hopes that Barker & Dobson may change its mind and restore the concession.

The guide costs £1.50 from Seymour, Pierce & Co, 10 Old Jewry, London EC2R 8EA. But you can get a cheaper, though less glossy, list of shareholder perks by sending a large, stamped addressed envelope to stockbrokers Grieveson Grant and Co, Barrington House, 59

ceived a boost from British Telecom's decision to offer telephone bill vouchers to investors, and an increasing number of companies now offer concessions.

It is certainly not a good idea to select your shares just because of the perks they offer. "The investment should be chosen on its own merits, not solely on the attraction of a concession which the company always reserves the right to alter or withdraw without notice," says Seymour, Pierce.

For some smaller unquoted companies, however, there may be nothing else to judge by. Tiny local railways, for instance, may be profitable, but remain strictly for the enthusiast. Seymour, Pierce gives details of three which offer fare discounts.

And if you like to travel a little faster than the Romney, Hythe and Dymchurch miniature railway, you can always buy shares in London European Airways and receive one free return flight for a companion for every 10 flights you make to Amsterdam or Brussels.

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and 10% per cent discount on restaurants; 7.20 per cent discount on Victoria Wines; 10 per cent discount at Allied hotels.

Beecham Group: Up to 19.5 per cent discount on cases of wine.

Burton Group: 20 per cent discount on three purchases at Burton shops; 12.5 per cent discount at Debenham stores.

European Ferries: 50 per cent discount on ferries (pref. shares only); hotel discounts; educational sponsorship at University College, Buckingham.

Gieves Group: 20 per cent discount on clothes and shoes.

Grand Metropolitan: Discounts on wine, beer and hotels; vouchers for Berni Inns; 10.15 per cent of Executive Dumbells and Indoor Joggers.

Hawley Group: 15 per cent off home improvement products.

Pentos Group: 10 per cent discount at Dillons, Hudson, Athena bookshops, Athena galleries.

Sketchley: 25 per cent discount on cleaning and shoe repairs.

• FINANCE & THE FAMILY •

Banking

Bankers' charity-at a cost

THE reduction in bank networks has made it more likely that you will find yourself caught short of cash with no branch of your own bank in sight.

In the good old days, that didn't matter too much, there was always likely to be some bank nearby, where providing you had a guarantee card, you would get your £50 at no extra charge.

But since Barclays set the ball rolling in September 1981, all banks now charge customers from others for cashing cheques.

Not only was Barclays the first to introduce this practice—it also charges most: 75p a cheque for non-customers Monday to Friday, and £2 on Saturday days.

And if you want to draw more cash than the £50 covered by your guarantee card, it will cost you £1.50 if you are using a Barclays branch other than your own. Barclays won't cash cheques over £50 for non-customers.

At Midland, customers from other banks will be charged £2.50 if they want to take out more than £50, but their own customers get the service free. The same applies to National Westminster. Neither bank charges even for the authorisation phone call it will have to make to the customer's own branch.

Midland, NatWest, Lloyds and most other banks also charge less than Barclays for cashing cheques up to £50 for non-customers. All have a flat 50p levy but only Lloyds provides the facility on a Saturday (Midland doesn't open and NatWest won't cash cheques for anyone).

Unlike the others, however, NatWest customers can withdraw money on Saturdays from the Rapidecash tills inside branches.

NatWest and Lloyds do not, in any case, charge each other's customers (including those of Coutts, Isle of Man Bank and Ulster Bank, in the case of NatWest, and National Bank of New Zealand, in the case of Lloyds) for cashing cheques up to £50. NatWest has similar

reciprocal agreement with the Bank of Scotland.

Any non-customer wanting to cash a cheque for more than £50 will be charged a flat fee of £1.50 at NatWest and 75p (plus the cost of the phone call) at Lloyds. Lloyds customers cashing cheques at branches other than their own will also have to pay the same charge.

Midland and NatWest customers can withdraw cash from each other's hole-in-the-wall dispensers at no additional charge (dispensers generally also have the further advantage that, provided you have enough money in your account, you can withdraw more than £50 from them).

Fewer options are available to customers of Barclays and Lloyds—at least until these banks make their dispenser networks compatible. The only way clients can avoid paying extra for cashing cheques over £50 at any but their own branch is to use a dispenser at another of their bank's branches.

If there is no such dispenser in sight, make for a Lloyds branch where the 75p charge (plus phone call) is likely to be substantially less than the flat fees charged by the others. And give Barclays a wide berth, unless you are a customer.

Margaret Hughes

Portfolio management

Fringe benefits for the VIP

VANBRUGH Life Assurance, the unit-linked life subsidiary of the Prudential Corporation, was the first life company to offer special fringe benefits on its high-level investment bond aimed at market—the Vanbrugh Investment Portfolio, referred to appropriately as

PR, although he is no mean PR performer at any time.

Mr Newmarch told guests how hedging works (a topical subject, given the continued interest in both overseas bonds and currency funds); the present investment thinking of PRU, and the effects of Big Bang.

Among these fringe benefits is an annual jamboree, known officially as the VIP Investment Conference, at a leading London hotel.

The 1985 conference was held last week at the Grosvenor House and its aim, as always, was for Vanbrugh's investment managers—Prudential Portfolio Management—to discuss with investors and intermediaries their present philosophy and strategy.

It is not just a public relations exercise. The main speaker was Mr. Mick Newmarch, the head of PRU's investment

of it. Investors are likely to hear more in coming months about dealing with an independent rather than a conglomerate and its "Chinese Walls."

On the investment front, Mr Newmarch foresees a "boring" UK equity market over the next few months, with a likely drift downwards for the rest of the year followed by an upturn in the New Year.

His outlook for foreign markets was related to the attitude of policymakers in the U.S. Assuming, however, an orderly fall in a currently overvalued dollar, he expected overseas markets (particularly Europe) to be attractive.

He saw some selective opportunities in a generally placid property market, but said the outlook for UK gilts depended on a significant interest rate cut.

Eric Short

BUILDING SOCIETY RATES

	Share	Subs	Other
Abbey National	7.00	8.00	8.75/8.00/8.25/9.50 Five Star acc.—instant access/no penalty 5.50 Higher interest account 90 days' notice or charge 5.50/5.81 Cheque-Save 5.06/5.90 "City" Cheque-Save
Aid to Thrift	10.20	8.00	8.75 Premium Plus min. £500, immediate withdrawal (penalty if balance is under £10,000) interest annually/min. 8.75/8.00/8.25/9.50/10.00/10.50/11.00/11.50/12.00/12.50/13.00/13.50/14.00/14.50/15.00/15.50/16.00/16.50/17.00/17.50/18.00/18.50/19.00/19.50/20.00/20.50/21.00/21.50/22.00/22.50/23.00/23.50/24.00/24.50/25.00/25.50/26.00/26.50/27.00/27.50/28.00/28.50/29.00/29.50/30.00/30.50/31.00/31.50/32.00/32.50/33.00/33.50/34.00/34.50/35.00/35.50/36.00/36.50/37.00/37.50/38.00/38.50/39.00/39.50/40.00/40.50/41.00/41.50/42.00/42.50/43.00/43.50/44.00/44.50/45.00/45.50/46.00/46.50/47.00/47.50/48.00/48.50/49.00/49.50/50.00/50.50/51.00/51.50/52.00/52.50/53.00/53.50/54.00/54.50/55.00/55.50/56.00/56.50/57.00/57.50/58.00/58.50/59.00/59.50/60.00/60.50/61.00/61.50/62.00/62.50/63.00/63.50/64.00/64.50/65.00/65.50/66.00/66.50/67.00/67.50/68.00/68.50/69.00/69.50/70.00/70.50/71.00/71.50/72.00/72.50/73.00/73.50/74.00/74.50/75.00/75.50/76.00/76.50/77.00/77.50/78.00/78.50/79.00/79.50/80.00/80.50/81.00/81.50/82.00/82.50/83.00/83.50/84.00/84.50/85.00/85.50/86.00/86.50/87.00/87.50/88.00/88.50/89.00/89.50/90.00/90.50/91.00/91.50/92.00/92.50/93.00/93.50/94.00/94.50/95.00/95.50/96.00/96.50/97.00/97.50/98.00/98.50/99.00/99.50/100.00/100.50/101.00/101.50/102.00/102.50/103.00/103.50/104.00/104.50/105.00/105.50/106.00/106.50/107.00/107.50/108.00/108.50/109.00/109.50/110.00/110.50/111.00/111.50/112.00/112.50/113.00/11

• FINANCE & THE FAMILY •

Briefcase

Insist on getting a share certificate

I purchased some shares in January through a licensed dealer and paid for them at the due date. The shares were sold in June via the same dealers. They say the share certificate was sent in April (I did not receive it) and now want a bankers' indemnity which is going to be a lengthy operation. Can they insist on this?

If you have never had the share certificate, we think that the common practice of seeking a banker's indemnity from you is not justified. You should require the dealers to do whatever is necessary to procure your share certificate, bearing in mind that the company has a duty to deliver a certificate to every member.

Allowances on bungalow sale

Fourteen years ago I bought a small bungalow for the price of £3,000. It has since been rented, but the old couple who live there will shortly be going to an old people's home and I am then thinking of selling.

A local estate agent informs me that I should easily get about £25,000 for this. On this gain of £22,000 I estimate that I should pay £6,000 Capital Gains Tax.

I understand that I can set

the yearly allowance of £5,300 against this and that there should also be an allowance for inflation indexation."

Can you tell me if this is correct please and how this allowance if any would work out?

The chargeable gain might be around £15,500 as follows:

Proceeds say	25,000
Cost say	3,000
Indexation say 20% per cent of £3,000 =	608
1985-86 exempt amount	5,300

£15,492

Ask the estate agent whether the market value of the cottage on March 31 1982, with sitting tenants, was more than £20,000. If he thinks that it was, it may be worth electing to have the indexation based on that value—but ask your solicitor for guidance through the tax maze.

Arranging a covenant

My son is living with a woman and her eight-year-old son. My son is supporting them both. He has an additional allowance from the Inland Revenue for the boy.

Is there any way I can use a covenant to help to support the boy and so give my son some financial relief?

I can afford to give about £600 a year (ie £480 from me and a tax rebate of £180). Could this money be used legally by my son to go towards the boy's keep?

Yes, to both questions. A solicitor can prepare a suitably worded deed of covenant, if you give him or her a note of the background facts and figures.

Money left to children in NZ

A testator in the UK wishes to leave by his will a substantial sum of money in trust for two young children born and domiciled in New Zealand. He wishes to ensure that the capital will be actively supervised and profitably invested, and that the income will be used as the trustees think fit for the benefit of the children and not re-invested. The children are to inherit the capital when they reach the age of 21.

How can this best be arranged, and what would be the tax aspect?

The amounts involved appear to justify the expense of professional guidance through the maze of UK and NZ taxation. Prima facie, it would be best

to do this.

For 1985-86, you are entitled to a basic personal allowance of £2,205 plus the bereavement allowance of £1,250. Since your pension and the net cottage rent will exceed the total of these two allowances, any profit from lodger will be taxable (at 30 per cent).

You will not be entitled to the bereavement allowance next year.

VAT and the disabled

My daughter owns a terrace house in the Midlands. It was

to appoint trustees who are (and are likely to remain) resident outside the UK.

There is really nothing more we can usefully say, on the bare facts outlined.

Lodgers are not tax-free

My husband died last September, my income will be: Widows pension £1,562 per annum, dividends about £5,000 (tax paid), rent from cottage £2,400 (no tax paid, yet).

I understand from a friend that up to £2,000 (net profit) can be earned from lodgers, on which no tax is required to be paid—but this last true?

The builder writes to say he has been in touch with HM Customs and Excise who rule that full VAT should be applied to all items of the account.

Apparently unless the owner of the property is a registered person relief from VAT cannot be claimed. Is this right?

The cost of certain improvements to property are zero-rated when supplied by a VAT registered trader to a handicapped person. It seems to us that your daughter is not entitled to zero rating treatment as the supplies of goods and services have been made to her by the builder and not by the builder to the handicapped person.

For those few expatriates returning to the UK who are not currently to be regarded as domiciled there, the benefits to be secured are very substantial. They might have this status because several generations of the family have been expatriates and the link with the UK has been somewhat loosened. Alternatively, they could leave problems for those who follow.

Whichever it is, while their non-domicile status remains, they can make gifts from overseas assets (in lifetime or on death), without any liability to CTT at all. Further, that benefit can be permanently secured in relation to assets conveyed into a settlement, even if the settlor himself subsequently becomes a UK domiciliary.

Of course, in the latter case, the donor and donee can elect that the gain should be "rolled over," with the effect that no tax is payable until the son

unimproved having neither bathroom nor indoor WC. The tenant had a stroke a few years ago and is very disabled, and registered as such.

Recently and with the help of a Council grant the house was repaired and improved at a cost of about £11,000. I had previously read that where the occupier is disabled VAT is not levied on the costs of repairs and improvements.

I asked the Council who paid the grant, for their ruling on the amount of VAT which should be charged if any, and I was told that VAT would be charged at a reduced rate.

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MOTORING

A show pitched at motorists

MOTORFAIR, which has become London's own motor show, opens at Earl's Court next Thursday for an 11-day run. About 350,000 people are expected to visit the exhibition which is pitched at motorists rather than fleet buyers, component suppliers and vehicle assemblers, and is all the better for that.

This is the fourth Motorfair. The first was held the year after the traditional annual motor show, at Earl's Court in 1978 for the National Exhibition Centre, near Birmingham. Each time, Motorfair gets better. Car makers now hold back new models so they can make their debut at Earl's Court.

Lancia and Saab are showing their new luxury cars, the Thema and 9000 Turbo 16. The mid-size Mercedes-Benz 200 to

300 saloons will be seen with right-hand drive for the first time at Motorfair. Porsche has no fewer than five new models on display. Hyundai of South Korea chose Motorfair for the world-wide launch of its new front-wheel drive, cross-engined family hatchback. This will have the top managers of Europe's car makers—and probably Japan's—punching their computers to see how on earth Hyundai can do it at the price.

The new Mazda 323 hatchbacks and saloons will be there. So will the Volvo 760 estates, the top value Seats from Spain, and the gorgeous looking Isuzu Piazza I wrote about last week. Ford's Elite car of the future, and BL Austin-Rover Group's MG EX-E 4x4 concept will be making their first public appearance in Britain. Austin-Rover is thought to have another ace up its sleeve for Motorfair—a

pre-emptive strike against the Tokyo Motor Show at the end of this month.

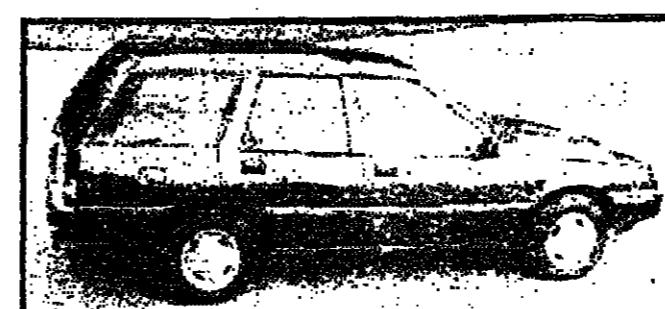
Prices of the new Mercedes-Benz mid-size cars will not be announced until next week, but those of the Saab 9000 Turbo 16 and the Lancia Thema range—both potential rivals in the executive market—are known. Lancia's top Thema, the 2-litre, fuel-injected and turbocharged LX, is £15,500, just £495 cheaper than the Saab of strictly comparable specification.

Whereas only one Saab 9000 is to be marketed in Britain for the moment, Lancia has come in with four versions. The 2-litre with fuel injection is £11,000. Adding a turbocharger and other goodies puts the price up to £13,000, and a 2.8-litre V6 with automatic transmission as standard is £15,500. If anything can get Lancia back seriously

Remarkably, both the Saab and Lancia 2-litre turbos, are as flexible and punchy at moderate engine speeds as they are potent when given their heads.

It only experience so far of the Saab 9000 Turbo 16 was a dash along the autostrada from Amsterdam to Frankfurt. I saw over 140 mph on the speedometer, which surprised me as much as it did the driver of a Porsche 911 who moved smartly out of my way to let me by. The power and torque that can be squeezed out of a 2-litre engine is astonishing, especially as it does not become uncouth.

It is some months since I tried left-hand versions in Austria but I well recall the excellent handling ride comfort and general refinement.



MITSUBISHI'S new Lancer estate, which makes its debut at Motorfair next week and goes on sale immediately afterwards, will suit buyers for whom an Escort estate is too small but who do not need the bulk carrying capacity of, say, a VW Passat, Sierra or Cavalier estate.

It is 13 ft 8 in long, has a conveniently low loading height of 22 in, and comes with a choice of 1.5-litre petrol or 1.8-litre diesel engines. These are mounted transversely and drive the front wheels through an excellent live-speed gearbox.

Prices start at £6,629 (petrol) and £7,239 (diesel), rising to £7,749 for a petrol-engined GLX. This one has such goodies as power steering, electrically adjustable mirrors on both front doors, electric front windows, remote tailgate and fuel filler cap releases, and two sun-roofs—one for the front seat occupants, the other for those in the back. The engines have Mitsubishi's twin balance shafts, which eliminate vibration at source and make for exceptionally smooth running.

I drove both petrol and diesel models in Holland last week. The beautifully surfaced motorways and main

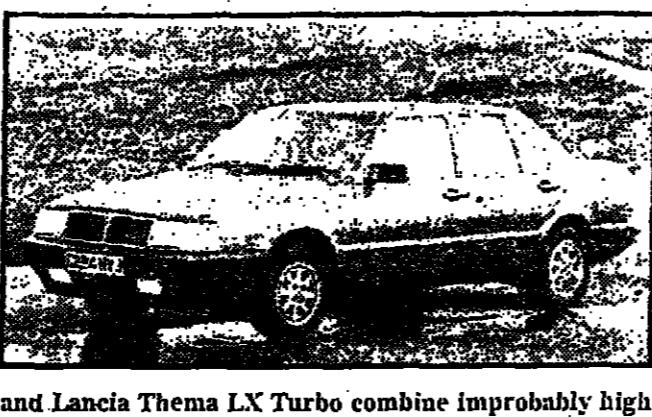
roads gave the suspensions little work to do but showed up the Lancer estate's ability to evade very quickly indeed at 80-85 mph.

At this sort of speed, the Mitsubishi diesel is as quiet as the petrol engine and would certainly be my choice. Economy is striking. The diesel's official figures are 39.8 mpg (urban), 60.1 mpg at a constant 56 mph, 41.5 mpg at 75 mph. The petrol engine does 28.3 mpg (urban), 47.9 mpg (60 mph) and 35.3 mpg (75 mph). By itself this is a powerful argument for the diesel but, in addition, I thought its extra weight in front made for an even better ride.

Service intervals are the same—6,000 miles or six months for an intermediate service, 12,000 miles or annually for a major one. The mechanical warranty is for three years, with unlimited mileage.

Although the Lancer's rear seat cushion does not fold forward in normal estate car style, the two-piece rear backrest lays flat to make a practical load door. The cushion is as low as it would be in a saloon—not always the case in estates.

Stuart Marshall



Luxury class challengers: the Saab 9000 Turbo 16 (left) and Lancia Thema LX Turbo combine improbably high

have 2-litre, 4-cylinder engines.

IT WAS not until September that the Test became the sparkling river it used to be. I do not believe that its cloudiness was caused by some selfish individual or council muddying it in the cause of road building or gravel extraction. I think the cold winter stopped all weed growth, which did not really start again until late summer.

Now, every stretch is full of weed. No doubt this filters out dust gathered by the streams as it rushes over the shallows higher up. I am not the first to mention dust as a cause of cloudy water. I remember hearing about a 'ghillie' on the Wye who, instructing his charge on how to land a salmon, barked, "make dust" as the salmon neared the landing net. The angler, gaped, the ghillie stepped into the water and

stirred the silt; the fish was temporarily blinded and easily led into the net.

I have often wanted to be able to do the same. On the few occasions that I have landed a salmon I was either on the rocky banks of the Shiel or in a boat on the Wye, and "dust" was not at hand.

The Test was a joy to fish last month, as it was for the whole of summer. In spite of the cold

and rain, the occasions when I fished were productive. The water is so clear that fish spot you before you see them. At this time of year I have to use a 3lb point to my cast. I normally use a 5lb or 6lb cast—once hooked, I think the fish should be landed—I hate a break, when the fish escapes with a hook in its mouth.

Through the clear water I have been able to watch a fish rising to my fly or nymph. I put a nymph on only as a last resort; an ungreased backle fly will do as well most of the time. What I do not seem able to do is correlate my strike with the fish's rise. My reactions are slow. It seems to take a long time between sighting a fish rising to my fly and lifting my rod point.

I am more inclined to watch the fish rise, see it take the fly, then slowly tighten the line by raising the rod. By this time the fish has decided that there is something wrong with the fly or that it does not taste quite right and spit it out. But I also believe that a fish has much quicker reactions than the angler. In most cases fish hook themselves.

During September the fish returned to a kind of fly I found very successful six years or so ago: the EAA; named, I believe, after a certain E. A. Alden. It looks rather like

a pregnant pheasant tail; very small, and hatched—the more hatched will keep it afloat with a little grease. It has proved useless for several years, but with very clear water in September, I found it came into its own again.

Rude people tell me that it is no more than a floating nymph, not a dry fly at all. But I have found it successful where nymphs were useless. This reinforces my belief that a floating fly, well presented, is the easiest way to catch trout. Using this fly, I have managed to average at least one fish on every visit to the river this season. Even the few blank days have produced such marvellous chances (which I failed to take) that I was happy to see the fish escape.

John Cherrington

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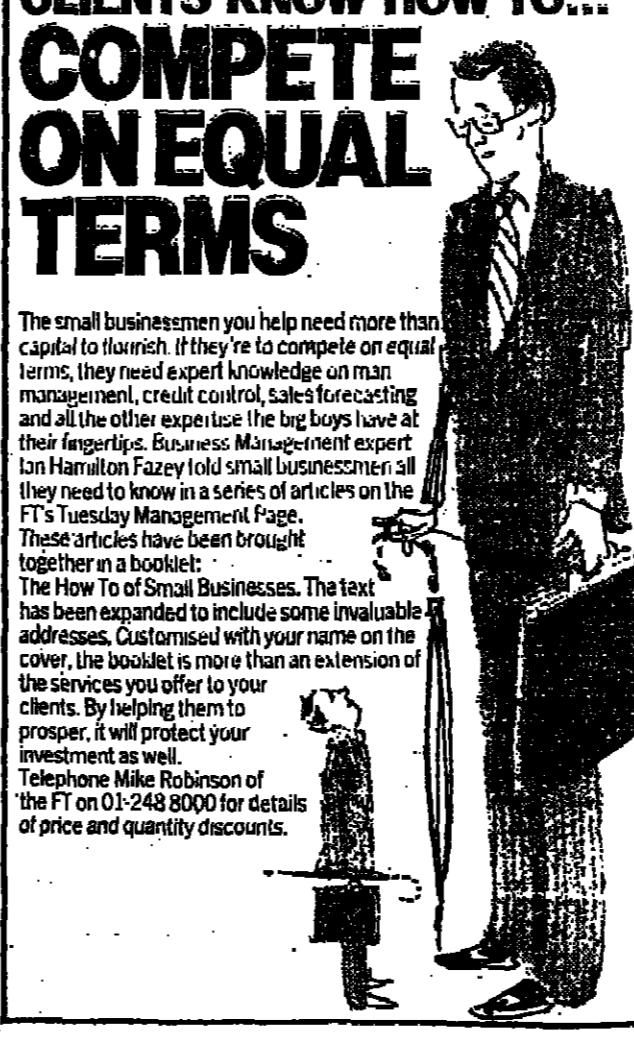
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• TRAVEL •

Arthur Sandles takes a trip to Cyprus . . .

Aphrodite's oasis

I DON'T know what Aphrodite made of it as she rose from the waters, but I thought it was distinctly warm. Cyprus, favourite haunt of the bella goddess, had something of a heat wave this year; even a couple of weeks ago, it was on the beach and into the shade once the sun got up a little.

Cyprus sits at the eastern edge of the Mediterranean, its own problems almost forgotten by the world as the ghastly difficulties of Lebanon unfold. In Cyprus, the terror of the Middle East is strangely both near and far. There is no doubt Cyprus is another world; Beirut is so close that, in the evenings, you can watch its television broadcasts.

Putting aside for a moment the green line that divides it, Cyprus is an oasis of calm in a much strained region. This could be the reason as much as its own natural attractions for the island experiencing a tourism boom.

The plus about Cyprus, as old hands will tell you, is that the more scenic parts are in the British-controlled north, which is out of bounds. So what the visitor—arriving from the UK at Paphos or Larnaca airports—finds is a coastline that grows more spectacular as you head west and a range of mountains in the middle that provide a welcome touch of cool air in the summer months.

Aphrodite, by the way, is said by the locals to have popped up from the ocean and into this earthly world at Peira tou Romiou, a pretty little spot where a rocky outcrop is the focal point of a small bay. When she arrived, however, one imagines the main road did not run quite so close.

Rather less confined by such modernity are Aphrodite's baths, a delightful pool in a woodland setting. Rejected suitors were, it is said, recommended by the beautiful Aphrodite to calm their loving ardour in the chilly waters of one of the streams nearby.

The baths are to the north of Paphos, and it is here that the culture set should head. The Tombs of Kings, the House of Theseus and Paphos Fort are all in the town or nearby.

The Curium site at Episkopi, not far from Paphos but nearer Limassol, is one of the ancient world's most spectacular sites, and sights. The Roman Theatre, set on the edge of a substantial cliff, has an incredible backdrop of the sea. The theatre is, in fact, still in use; when it was there recently, it was about to offer an evening of Irish dancing!

Paphos old town is a typical Greek urban community, with some charm but a great deal of dust. The port area is a pleasant little spot for lunch or

dinner, with several waterside restaurants offering meze (the quality of which can at times be ignored when the wine, which is good and cheap, flows freely).

A modern town is springing up with the "new traditional" collection of hotels, apartments and boutiques; I actually find it more pleasant than the old one. In Paphos, I stayed at a new four-star hotel, the Cyprus Maris, which is appearing in many operators' brochures. I would certainly commend it—the food, incidentally, was vastly superior to that of most local restaurants.

The problem of Paphos is that it does not really boast much in the way of beaches. For those, you must head to the other end of the island and Ayia Napa.

This once-tiny village has grown enormously since I first saw it. The closure to most visitors of Famagusta, now in the Turkish zone, has led to the concentration of development down the coast at Ayia Napa, and the results are quite pleasant. A series of new, and very high standard, hotels have grown up (I stayed at the newish Grecian Sands, one of the best popular resort hotels I have seen for a year or so); and the town, which is devoted single-mindedly to tourism, is a jolly place to stroll around.

For me, a successful holiday on Cyprus would require a good hotel, several good books and a rental car (essential) to catch a little culture, buy some shoes

and try a little more meze. The best time of year to go is the spring, with April, May and June ideal.

Further information: The Cyprus National Tourist Office at 213, Regent Street, London W1R 3DA, will give details of tour operators serving Cyprus. There is no particular benefit in independent travel since most of the hotels seem to be tied-in with an operator or two. Cyprus Airways and British Airways have regular flights.

More active than 3 . . . PQ3 played in the seventh game.

WHITE: G. Kasparov.
BLACK: A. Karpov. Nimzo-Indian Defence (11th game).
1. P-Q4, N-KB3; 2. P-QB4, P-K3; 3. N-QB5, B-N5; 4. N-B3, 0-0; 5. B-N5, P-B4.

More active than 3 . . . PQ3

played in the seventh game.

6. P-K3, P-P; 7. P-P, K-R3; 8. B-R4, P-B1, P-P.

If 9 . . . N-B3; 10. P-B3 followed by B-QN5 gives White a significant queen's side pawn advantage.

10. BxP, N-B3; 11. 0-0, B-K2; 12. R-K1, P-QN3.

The position is now a standard Queen's Gambit except that Black has lost a tempo through his bishop manoeuvre on QN5-K2. Press room grandmasters argued that Kasparov should have exploited his time advantage by 13. P-Q5, N-P; 14. BxN, PxB; 15. N-Q4! with good play for the pawn.

13. P-QR3, B-N2; 14. B-N3, R-B1; 15. B-R2, B-Q3.

With the point 16. B-R4,

P-RN4; 17. B-N3, BxP; 18. R-PxN, P-N5; 19. N-K5, QxP; 20. P-Q5, N-P; 19. BxP, Q-B3; 20. Q-R4, KR-Q1; 21. QR-Q2.

21 . . . R-Q3 and QR-Q1 was simpler.

22. K-QN4, QR-Q1??

Both GMs still had half an hour for 18 moves to the time control, so there was no real danger. Before Karpov's blunder, the press room was casting Kasparov for his

ineffective choice at move 13.

West led the diamond Knave, and the Queen won. The declarer saw that the only hope of fulfilling his contract was to make two heart ruffs in dummy.

It was clear, however, that if he cashed the club Ace and ruffed a club, to discard two hearts on the Ace and King of

diamonds and then lead a heart, the defenders inevitably would switch to Ace and another trump. This defence, by restrict-

the U.S. ski industry usually seems to go getting on Thursdays weekend at the end of November, and run through to Easter. For the past couple of years that has been of scarcely more than academic interest to ocean holiday skiers. The long dollar made ski trips to the U.S. prohibitively expensive; but a surprising number of UK residents still made their way to the U.S. slopes, usually as part of a business trip.

U.S. skiing—or at least the Rocky Mountain and Sierra skiing of the west—is different. I would not bother to cross the Atlantic to ski New England, except perhaps for cross country, but the slopes of Colorado, Utah, California, Nevada, New Mexico and Oregon are another matter.

The plus plus factors are: the snow is more reliable, and often the tree line is much higher; the ski-lift systems better organised and the queues much shorter—and more polite. The disadvantages are that few U.S. resorts have any real "village," a car is often essential.

The U.S. west is a long way away, and insurance premiums can be high.

Still tempted? The places to head for are centred around three gateway airports: Denver, Salt Lake City, and Reno. Through Denver you can reach a range of resorts, but my own choices would be Steamboat Springs (a good all-round resort). Vail, for that "old money" feeling, and, of course, Aspen—probably the place I would choose if I were confined to one ski resort for the rest of my days. All three have villages, and a car is not essential.

In Utah the skiing is closer to the airport and a little cheaper than in Colorado. In spite of Utah's Mormon image, liquor tends to flow like water and the discs are as wild as anything alpine. Park City is the prime resort, a big bustling

place based on an old mining town. Snowbird is a purpose-built centre something like Flaine, in France, and Deer Valley is a glossy up-market centre for the skiing jet set.

It is difficult to compartmentalise resorts on the California/Neveda border grouped around Lake Tahoe and reached by road from Reno. There are 18 resorts in the area: the big names are Heavenly Valley, Squaw Valley, Alpine Meadows, Northstar. The skiing is very good indeed, with a range of terrain and some spectacular views of the lake.

To ski the area, however, you really do need a car. This enables you to pick and choose where to ski. If I had to choose, I think I would stay in North Lake Tahoe, and concentrate on Squaw Valley and Alpine Meadows. That is not to say that

you can't find a free run of five main resorts. A fairly typical one-

week motel package would cost \$275 a person for a week. Last winter I was paying \$20-\$25 a day for lift passes bought as needed and paying \$40-\$50 for quite reasonable hotel rooms. A one-week "skierized" car rental should cost about \$175.

If you want a total ex-UK package ask your travel agent for the brochures of American Dream (or call 01470 1182) which runs trips to several U.S. resorts and Club Mediterranean, which has a club in Copper Mountain at \$566 a week in February, plus fares.

But American Express probably does the most effective programme in league with TWA. A wide range of results are offered at very good prices.

For the Reno/Lake Tahoe area try writing to the Reno Sparks Convention and Visitors Bureau, PO Box 11430, Reno, Nevada 89510, U.S. Colorado Ski Country can be found at 1410 Granite, Suite A-201, Denver, Colorado 80203, U.S. Salt Utah is at 307 West 200 East, Suite 3003, Salt Lake City, Utah 84101, U.S.

I would willingly miss skiing Heavenly Valley at the south end of the lake. Those dazzling Tahoe views on one side and as you ski over the border, a panorama of the Nevada desert on the other.

Prices are difficult to quote: there are considerable variables. You should be able to get a basic excursion fare to the U.S. west for under £350 this winter.

Try TWA, which is making a big effort to capture ski business, but American, Pan Am, Western, North West, British Airways and British Caledonian have routes to the main gateways (you can drive to Reno from San Francisco).

You can buy local packages which include accommodation and lift-passes. In Tahoe the package lift pass usually gives you a free run of five main resorts. A fairly typical one-

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DIVERSIONS

Starting from scratch: rowing



Loyd Grossman takes the tank test at Twickenham

River of non-stop return

LIKE MANY people who go to Henley, I'm more interested in the picnic than the rowing. For those who didn't row at school or university and are under six feet or 14 since the world of competitive rowing seems forever inaccessible.

I like being on the water and have dipped oars in both sea and river but only for the gentiles of paddles. Living as I do close to the Thames I've often felt that a strenuous row along the river might provide the optimum combination of sport and sightseeing. The rowing world is surprisingly open and informal and helpful to landlubbers once they show some inclination.

Sent to the Twickenham rowing club for my initiation, I was met by club secretary John Radgick—an estate auctioneer when not on the river—in the pleasantly run down boathouse which lies among the great houses of that stretch of the Thames—Marble Hill Hall, Orleans House, York House.

As we sat in the club bar—like any other sports club bar—rough and ready with the slight tang of the gymnasium—Radgick outlined the club's history. Not as rich or big as the clubs which crowd the Putney Embankment in London, Twickenham is a solid and respectable mid-Victorian foundation with about 250 members.

Rowing is a purely competitive sport in this country, Radgick explains and clubs aim to enter and win races at regattas held all round Britain. All rowers are classified according to the numbers of races they've won, ranging from novices up to elite. It is a sport which requires a lot of time and

commitment—Saturday and Sunday mornings on the river; Monday evening in the gym training; and more rowing on two other evenings.

Radgick admits that many people find it difficult to maintain the commitment as they get older and business and family demands increase, but once taken up rowing becomes a life-time interest and many rowers train and compete until well past retirement age.

It has to be stressed though that this is hardly a casual pursuit.

A tour of the boat house was fascinating as—at least for me—the beauty and elegance of the boats are an essential part of the sport's appeal. Twickenham has a fairly large collection of boats: sculls (for one oarsman), pairs, fours and eights (all self-explanatory).

Although the club has recently invested in some of the smart new carbon fibre boats most of the boats are traditional wooden construction carbon fibre is more rigid than wood and so more energy efficient, but they don't last as long and as a consequence only the richest clubs can afford to keep replacing them. Then there are the tubs—sturdy clinker-built boats in which novices get their first on-the-water experience.

When you see a racing boat close up you appreciate how difficult the whole affair is—fragile and keelless, they can be easily capsized by an unskilled oarsman.

But even before a trip in a tub comes the tank where novices are trained and more advanced rowers are fine-tuned. The tank is a bit like a small swimming pool; its function is to act as an artificial river.

After one or two more hours in the tank learning the basic

Alongside the tank a sliding seat similar to that in a racing boat is fitted as a gated outrigger which the oar fits into. So one effectively sits and rows without going anywhere.

I was surprised when Radgick handed me the oar-blade as it is properly called.

It is of course meant to be grasped with both hands and as a result is menacingly big—it's rather like gripping a flag pole. Then the ordeal of learning the stroke begins—not an easy or pleasant matter.

The stroke is a continuous

motion with no beginning or end," Radgick said and proceeded to demonstrate to an uncomprehending me just how to go through the motions.

Then it was my turn. Rowing is

one of the best ways to achieve

total body control but until you have achieved it you dis-

cover some quite astonishing new palms as legs, back and shoulders are contorted into hitherto unnecessary positions.

The blade is brought close up to the chest then pushed down with a rolling motion while extending the legs. Then it is lifted and pulled back as the legs are being contracted and somehow you're back to where you started only to be ready to start again.

After four or five most

recently—executed strokes I begin to understand the whole malice nature of galley slavery. I also begin to understand more of the skill of rowing—absolute precision and regularity in the stroke or else disaster for the crew. It is perhaps the most demanding of all team sports. And solo rowing—sculling—is

as one of the "best value" sports.

Loyd Grossman

Gardening



Faded flowers should be removed from roses. Spring flowering bulbs, particularly tulips and hyacinths, can be lifted, cleaned and stored until the autumn. Cuttings of many shrubs will root in a propagator or within the enclosure of a polythene bag. It is the best month for budding rose stocks.

By August, onions and shallots are ready for harvesting and potatoes should either be dug and stored or be sprayed with a fungicide to protect them from disease. Raspberries should be pruned as soon as they have finished cropping. Rooted strawberry runners can be planted; also all autumn flowering bulbs such as colchicums and autumn crocuses.

Lawns will benefit from raking, slitting and the application of a special autumn lawn fertiliser.

September sees the full start of the spring bulb planting season although it is mainly daffodils, crocuses, scillas, muscari and chionodoxa that are at all urgent. The rest can wait until October.

Arthur Hellyer

public act this would be like turning a church into a mosque.

The objects are the strength of the exhibition. The display is lively and didactic—at times overly so—and explained in linos verging on advertisers' trendy. How much those ancient elites would agree with its colour supplement attitude is not certain. They would follow the materialist emphasis on luxuries but they might also say it has missed some of the point. That all we can see of them is the material expression of their behaviour does not mean we should interpret everything in terms of their materialist desire to govern and impress others and adorn themselves. They were dependent on gods in ways we cannot know. It is quite likely there was a religious rationale for the wealth and beauty on show which in fact transcends the whole theme of the exhibition.

Control of the copper and tin supplies needed for the Bronze Age, and the skill in gold that came with it, is a probable reason for such wealth. The new materials and products were the prerequisite of the few who showed their opinions of their predecessors by such rituals as burying a battle-axe (a new type of artefact) in the old stone circle at Broomend of Crichtie, Aberdeenshire. As a

Exhibitions

Power with glory

hol of power) as a piece of conspicuous consumption while you were alive, rather than having them put with you, as elsewhere, in death.

There was also a progression from the collective monument (the stone circle or great megalithic tomb) to the individual, the round barrow with few burials or even just one. The collective stage is shown by a computer simulation of building and rebuilding Stonehenge.

The wealth of some during the individual stage is staggering—maybe not so much as of those buried in the Shaft Graves of Mycenae, but clearly similar. And, though we cannot prove any direct links, the Mycenaeans did have amber ornaments (including axes, sym-

the Wessex culture, while the near-parallel to an amber disc found in gold at Knossos came from Wilsford in Wiltshire (in the exhibition). Very thin polished axes in jadeite, elegant and of no practical purpose, are another sign of the wealth.

Control of the copper and tin supplies needed for the Bronze Age, and the skill in gold that came with it, is a probable reason for such wealth. The new materials and products were the prerequisite of the few who showed their opinions of their predecessors by such rituals as burying a battle-axe (a new type of artefact) in the old stone circle at Broomend of Crichtie, Aberdeenshire. As a

Gerald Cadogan

The very fabric of our society

VIVELLA IS part of the great British tradition, a fabric now as rooted in our history and our culture as the Changing of the Guard and a pint of bitter. Its structure is fraught with danger. As Radgick cautioned: "An eight is 60 ft long and 30 ft wide and it doesn't have any brakes."

Those looking for less physical punishment might consider being a coxswain, though the coxswain's position is fraught with danger. As Radgick cautioned: "An eight is 60 ft long and 30 ft wide and it doesn't have any brakes."

If you want good strenuous exercise and a year-round outdoor sport which rewards discipline with success and camaraderie and which you can pursue through your active life, then rowing may be the sport for you. I prefer less competition and more individuality, but next year at Henley I shall watch the races with more interest and understanding.

Details

ROWING IS more venerable

as locomotion than sport. The first boat race in Britain was

staged in 1715 when the Augustan comedian Thomas

Doggett awarded the prize of

a coat and silver badge to the

fastest waterman on the

Thames. Doggett's Coat and

Badge race is still held each

year.

School and college boat

racing began in the early

nineteenth century, in 1839

Westminster rowed against

Eton and Oxford rowed

against Cambridge.

The Henley Royal Regatta, the world's most famous rowing event, has been held since 1839. But rowing is not only a public school and university sport, or indeed a Thames Valley one. Oarsmen and women come from all walks of life and from all over the country. All the great tidal rivers have their boat clubs and rowing is becoming popular on lakes and reservoirs.

More women are taking up rowing—there has been a great increase in the number of women crews over the last five years.

The governing body of the

sport in Britain is the Amateur Rowing Association

(6 Lower Mall, London W6, tel: 01-748 3632) who will be

pleased to give the name of

your local rowing club. Local

clubs are happy to welcome

and instruct beginners.

As the clubs own the boats

and blades, there is little

essential equipment for the

participants to buy. Club

subscriptions are surprisingly

modest and rowing must rank

as one of the "best value"

sports.

Loyd Grossman

great strides. Not all of it is wonderful and there are still signs that the delicate balancing act of evolving a modern image with a traditional base hasn't quite been mastered. But there are some lovely Harris tweed country suits with fashionably long skirts, devoid of the primness that spoilt the earlier

designs. Everywhere, clothes are just the tip of the iceberg. What they are embarking upon is nothing more nor less than a complete Vivella life-style—gentle, rural, based on natural materials and to be extended into almost every aspect of the Vivella fan's life.

Vivella shops—in Brook Street, London, in Guildford, Edinburgh and Nottingham—already convey what the new company style is all about. Children's wear, the archetypal Vivella product, which had not been made for four years—has now been reintroduced and you can once again find the hand-smocked dresses, those crisply collared numbers that bring back images of nursery teas and crumpets before the fire.

The clothing has now made

white or cream, plain or lace-trimmed which not only are infinitely desirable for oneself but also would make splendid presents. There are scented drawer liners and innumerable bunches of dried flowers.

There are old fashioned men's shirts and newly-fashioned ones with combinations of

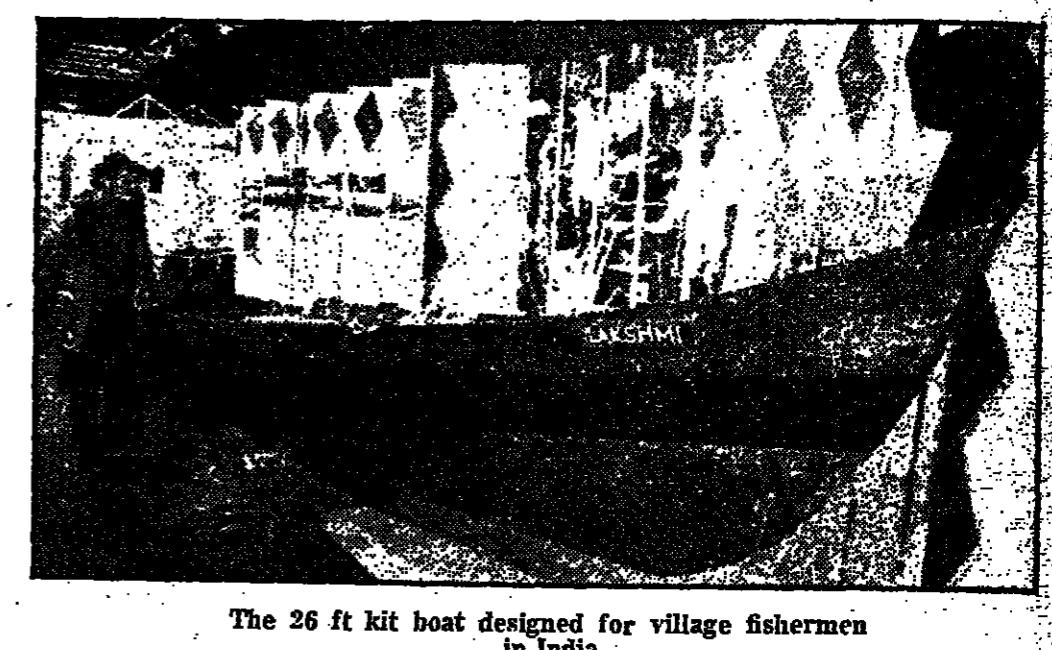


A symphony in Vivella... part of the nightwear and bedtime collections.

different fabrics to bring them up to date.

Nobody quite knows where it will all end. As Michael Harvey puts it: "Vivella is part of the social fabric of this country and as long as we do things consistent with its value we can market almost anything."

Lucia van der Post



The 26 ft kit boat designed for village fishermen in India.

Design

Making it easier for the needy

ABOUT 18,000 people a week are visiting the Design Centre in London's Haymarket to see an exhibition with a difference. It is "Design for Need" and breaks away from the glitter and chrome that is often on show at the centre, and focuses on the challenge of designing for the Third World.

It illustrates how one organisation, the Intermediate Technology Development Group (ITDG), is providing design solutions for tough problems in developing countries.

ITDG was founded in May 1965 by Dr Fritz Schumacher, a National Board economist, who believed that much of the technology exported to the developing world was too costly and labour-saving to be appropriate.

With the concept of "small is beautiful" he launched ITDG to put the idea of the small-scale and the appropriate into practice and to design the technologies that he believed were needed.

Dr Schumacher, who died in 1977, aimed to help people in developing countries work themselves out of poverty by providing them with more suitable technology. "Find out what people are doing," he said, "and help them to do it better."

Mr Keith Grant, director of the Design Centre, who knew Dr Schumacher personally, thinks it appropriate to hold an exhibition to coincide with the 20th anniversary of the launch of his ideas.

Design for Need traces the development of the technology development group and charts

the technology available. ITDG's expertise surfaces in surprising ways. A West German charity asked the group to develop designs for low-cost lens processing equipment for Third World village workshops that have no electricity.

On show is an edger for shaping the lens and a surface for grinding and polishing. The ITDG equipment enables them to be made for around £3 a kit, compared with £18 in urban centres, helping bring spectacles within reach of many more in the Third World.

More efficient stoves, low-cost

printing techniques, small-scale hydro electric designs, solar kilns for drying timber and load carrying tricycles are encouraging unusual antics by some visitors to the centre.

"We notice that some visitors are spending a lot of time on their hands and knees looking under the trunks and other hardware to weigh it all up," an official said.

Many designs have come from the engineering departments of universities, polytechnics and technical colleges, which in turn have normally maintained contacts with counterparts in developing countries.

The Design Centre says: "The products on show may be very different from the aesthetically conscious products that we now take for granted in the industrialised world. But they often represent a tougher design challenge to be of use, and not cause additional problems, the design must be appropriate for the people who need it."

While the exhibition may be a departure from normal, the Design Centre says it is delighted with the interest it has aroused. For its part, ITDG says "public reaction has been tremendous."

Design for Need continues at the Design Centre, 28 The Haymarket, London, SW1, until October 26 (open Monday-Tuesday 10 am-8 pm; Wednesday 1-6 pm; Saturday 10 am-8 pm; Sunday 1-6 pm) and transfers to the Scottish Design Centre, 72-74 Vincent Street, Glasgow, from November 18 until Christmas.

John Madeley

Collecting

Even maestros have mundane moments



In the two was best qualified to write an article on Debussy for *The Ladies' Field*. The composer himself undoubtedly respected Evans; in one of the most important letters (estimate £2,000-£3,000), Debussy sets out the musical ideology of *Pelicans et Melville*, explaining how he has tried to break with the pomp of Wagnerianism. He complains bitterly of the incomprehension of a public who, used to being moved by "methods as false as they are grandiloquent, have failed to understand that all that was asked

Lucia van der Post previews a unique fair

Fine art of crafts

THE FIRST Chelsea Crafts Fair was born five years ago when Lady Philippa Powell had the bright idea of providing a marketplace for the work of craftspeople from all over the country.

Like almost everybody else with an interest in the craft world she knew that stunning work was being done but there seemed no co-ordinated attempt to bring together the work with the people who might buy it.

Most of the craftsmen and women had to tout their wares around the galleries, and hope that one might like them enough to take some on spec—actually to persuade a gallery to buy a piece outright was almost unheard of.

That first Crafts Fair was an outstanding success. Those who wanted to buy could not only see a wide range of different work but they could meet and talk to the creators and so commission a special piece as well as buy.

FT readers quickly became faithful followers of the fair, many of them using it as a chance to do some early Christmas shopping. It does, after all, give a unique chance to buy something individual and one-

off, a change from the mass-produced wares in the department stores.

The event, in Chelsea Old Town Hall, has grown each year, and this year's fair, which opens

V & A, Aspects, Anatol Orient and the Kinggate Workshops) have decided that this is a fair they cannot afford to miss. From the point of view of the fair, this is exciting because it gives a better mix of craftwork—besides the new and innovative work there will also now be work from more established and better-known craftsmen, all of which must increase the fair's prestige.

Anybody interested in creative, innovative work should make a point of going along. Some of the work is a little raw, much of it is highly polished; the sheer wealth of ideas and creativity is stunning. It is living proof, if you like, that this is the area where some of Britain's richest creative gifts are currently employed.

Even if you have no particular interest in the crafts as such, it is a wonderful place to hunt for presents of all sorts.

You will be able to buy anything from a beautifully-made ceramic vase to the finest jewellery (watch out for the work of Clare Murray and Mathew Warwick). There will be glass and some exquisitely hand-carved wooden toys (in particular look

out for the work of David Swift).

There will be leatherwork and weaving, tapestry and knitted garments, glass and silken robes, à la Fortuny.

And another very good reason for going is that it is all a lot of fun.

Chelsea Crafts Fair, October 16-22, Old Town Hall, King's Road, London SW3. Open 10 am-8 pm (Saturday 19, Sunday 20 and Tuesday 22, 10 am-6 pm). Admission £2.

Also for the first time, several of the most reputable Crafts Galleries (The British Crafts Centre, the Crafts shop at the

next Wednesday, will be bigger and better than ever. The Crafts Council has been so impressed with the marketplace it offers that it is subsidising the appearance of a group of young and relatively unknown craftsmen and women from the regions.

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Left: hand-pleated silk 'Barbara' dress features headed shoulders and trailing lengths of fabric and cord to create an 'Eastern' ambience. Below: trio of classically simple, unfussy handbags priced in the range of £38-£55 with belts priced between £8 and £28.

Below: this large tufted duck carved and painted by Guy Taplin is characteristic of the artist's work.

Taplin, a former meat porter, got his inspiration when he worked in Regent's Park. His duck and swan designs are popular with collectors.

Below: this hand-crafted pot, designed and made by Felicity Ayliffe, of Twerton, Bath is surmounted by a bold, geometric motif.

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BOOKS

Mrs Rodd in pursuit of love

NANCY MITFORD
by Selina Hastings. Hamish Hamilton £12.50, 274 pages

NANCY MITFORD died in 1973, after a long and terrible illness. The following year Sir Harold Acton, a lifelong friend, wrote a delightful and affectionate memoir; but even Sir Harold, with his unfailing discretion and loyalty, felt frustrated that consideration for friends, and his publisher's explicit wishes, prevented him from telling the whole story. Now, a decade later, and with family blessing, Selina Hastings reveals the full history of Nancy's great love for Gaston Palewski, romance of her life, hero of her novels, and for more than 30 years the source of joy and sorrow. The Colonel, as Nancy always called him, gave the author Nancy's letters, and they are of a intimacy that not even her sisters suspected; her pursuit of love indeed had a dusky answer.

Lady Selina has written a most sympathetic book about the private life of a very private person, Mrs Rodd (as she preferred to be known) who lived quietly in France. The subject of Sir Harold's book is Miss Nancy Mitford, witty friend, sought-after-guest, suc-

cessful novelist. Mitford fans require both volumes.

When Nancy Mitford contemplated writing her own memoirs, they were going to begin in the year 1945. She thought that enough had been written about the Mitford childhood, and indeed Muriel and Farve have almost become characters in an idyllic Edwardian soap opera. Selina Hastings skilfully avoids paraphrase, and shows that the parents encouraged their talented children more than hitherto said: Lord Redesdale was a Francophile, not a chauvinist, and he sent 12-year-old Nancy a little poem ending "I have no desire to quench, My child's desire for learning French." Presumably, too, Nancy intended to say little about her early attachments. In her twenties she had a long and despairing engagement to Hamish St Clair Erskine; he was irresponsibly naughty and rather hopeless, and he aroused the strong maternal instincts which Nancy felt, too much, for the men she loved. They enjoyed giddy charades and the paraphernalia of fancy dress balls, but Hamish was not made for marriage, and brutally broke off the engagement.

Absolutely on the rebound, Nancy married the glamorous Peter Rodd. He was a golden boy, engagingly handsome, but so feckless and unfaithful that the marriage, in spite of Nancy's every effort, gradually fizzled out. Rodd was the model for Evelyn Waugh's Basil Seal, and he was an Oxford hero of my youth; every summer he would advertise for Balliol undergraduates (for he had spent one brief year at that college) to crew his Mediterranean yacht, and very proud were those who had "Proud" stamped on their passports.

In 1942 Nancy's life changed completely and forever when she met the Colonel, then in London as the trusted aide of General de Gaulle. Gaston Palewski [writes Selina Hastings] was possessed of all the qualities that to an English eye epitomise the sophisticated Frenchman; he was charming, he was amusing, he was a great lover of the arts and an incorrigible womaniser. In a cliché, he swept Nancy off her feet. For the first time she knew the ecstasy and the domination of total love. "I will now confess to you that you inspired me with feelings which were not only unknown to me before I saw you but of which I had not guessed the existence," says the

Princesse de Clèves, in Nancy's own translation of her favourite novel. Their romance was conducted with passion and discretion in Little Venice, Eaton Terrace, but not at the Connaught Hotel, where they were sent downstairs by a stern receptionist. "Connaught" became between them the equivalent of "Swann and Odette's" "catleyas".

War once over, Nancy went to live in Paris, long the city of her dreams: "One can be more cheerful here than anywhere else in the world." She also longed to be with the Colonel, and found a flat in the rue Monsieur five minutes' walk from his. But though he was the core of Nancy's life, she had led him to him but a springtime fancy. He was very fond of her always, and a loyal friend, but he made it clear that their liaison was not to be acknowledged in public, and marriage was out of the question. Nancy submitted to many humiliations. She was not allowed to "tutor" the Colonel, nor call him by his Christian name in public. If invited to the same party, he insisted that they arrive separately. When she visited his flat, she was treated like a soubrette in a Feydeau farce, pushed behind screens or into cupboards if another guest

arrived. Her letters are pathos: "Darling Colonel, I know one's not allowed to say it, but I love you." "Your darling voice and your darling hand-writing with an hour of each other is almost too much happiness."

"Dear darling Colonel, I think of you the whole time." "I wish I were sitting on your door like a faithful dog waiting for you to wake up you dear darling Colonel." It was not a willow-cabin at the gate that Nancy sought; it was a dog-kennel; her voice accelerated, and to illustrate her stories she used the jerking gestures of a matriarch, as she desperately tried to amuse.

The years did not diminish her feelings; sometimes unrequited love dies as abruptly as a fused light-bulb, but to Nancy it was a lamp of inspiration; all her best and happiest books are influenced by the Colonel. The novels are as sparkling and fresh as the day they were written, and glow as alien to them as cobwebs. She found happy escape in her books on the 18th century: "My greatest pleasure is reading to gather up material for a biography."

In 1966 Nancy bought a house at Versailles, rather tucked away, and overlooking a garage. However, she made the house pretty with antique furniture and Helleu drawings, and saw the large unkempt garden as it were filled with a thousand flower-trimmed Edwardian hats. Soon after she moved Nancy was attacked by the agonisingly

Simon's account of Mine de Montespan exactly described Nancy.

Once she suddenly said "Let's go and see Gaston." At that time the Colonel was a minister, and he lived in a sumptuous flat, like an enfilade of ball-rooms, in the Palais Royal. He was most friendly, welcoming and genial. But in his presence Nancy became another person; the woman of the world turned into a schoolgirl; her voice accelerated, and to illustrate her stories she used the jerking gestures of a matriarch, as she desperately tried to amuse.

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Nancy Mitford: a portrait by Cecil Beaton recently discovered in the Sotheby's archive

painful Hodgkins Disease, and for four years fought a battle with pain: "I love life so much, but not this sort." Nancy Mitford's last years are most movingly described by the author. She has written a most perceptive biography; her

Jane Abdy

Wagging tongue of warriors

THE OXFORD BOOK OF MILITARY ANECDOTES
Edited by Max Hastings. Oxford £19.50, 514 pages

"WE TALKED of war. Johnson: 'Every man thinks mainly of himself for not having been a soldier, or not having been at sea.' Boscawell: 'Lord Mansfield does not.' Johnson: 'Sir, if Lord Mansfield were in a company of General Officers and Admirals who have been in service, he would shrink; he'd wish to creep under the table.'"

Whether this book will cast its spell over those who have not endured war and military service I cannot say. But I am sure of one thing: for those that like this sort of book, this is decidedly the sort of book they'll like. It contains, in all, 354 entries, beginning with "And the Lord sent unto Joshua" (at Jericho) and ending with the surrender of the Argies at Port Stanley. Between (and in chronological order) come e.g. David and Goliath, Lars Porsena and Horatius (by Livy, not Macaulay), Leonidas at Thermopylae, the geese on the Capitol, a good deal of Alexander, Hannibal crossing the Alps, Julius Caesar landing in Britain, Attila the Hun, Crete, Asinacus, the fall of Constantinople, Cromwell, Wolfe, Frederick the Great; and so on, down to the First World War, the Second World War and beyond.

In the first sentence of his Introduction, Mr Hastings anticipates the only possible criticism. "An anthology which seeks to reach out across the vast expanse of military history will disconcert each of its readers by omitting the stories he himself holds most dear." Well, I could, I suppose, instance a few, if I churlishly sat down and put my mind to it, but I'm not going to. There is such a mass of good, honest stuff in the book, and so much that even the most erudite reader is hardly going to have come across before, that the inclusions must outweigh the omissions. Anyway, at 393 pages of text, plus an excellent list of sources and a



An 18th-century volunteer cavalryman drawn by Rowlandson

good index, the book is surely as long as is practicable. After all, you've got to be able to hold it up in bed.

Although they tend to merge one into another, there are really three kinds of military anecdote. First, there is the deliberate, self-conscious account of the chronicler or historian; secondly, the work of the diarist or reminiscence-writer; and thirdly, the self-contained yarn, funny or otherwise. This last is not found very much until about the turn of the 17th century, though Mr Hastings has laudably succeeded in finding a few earlier ones. However, the 18th century arrived after 100 entries and about two-sevenths of the total pagination, which for my money, and in terms of sheer entertainment and readability, is altogether acceptable.

Mr Hastings's only problem

seems to have been that, having set himself to span a period from the earliest times to the present day, he found his subject-matter falling between the golden-days, attractive but essentially serious stuff, such as Alexander's acquisition of the horse Bucephalus, and the modern-times kind of humorous military anecdote we all enjoy.

Of course, there must have been many funny military stories in ancient times, but they have not survived. Limited literacy and the difficulties of reproduction restricted our forefathers' output of narrative; and anyway nothing varies with nationality and time so much as humour. On this Mr Hastings comes clean. "This selection is principally British and American, with occasional forays among foreign armies.

Searching... Napoleon, Caesar and others, I found surprisingly few passages that possess the quality of whimsy, and stand a well alone." And he adds later: "For the reader disappointed by the paucity of German stories from the two World Wars, I can only say that I found almost nothing to compare with the quality of the English and American material." Can't say I'm surprised.

This is a splendid and totally successful book, strongly recommended both for possession and for Christmas presents. I per-

sonally would have liked it more accurately quoted. Besides, they're not from Euripides; they're from the second catastrophe of the Oedipus of Sophocles." (Carpenter).

"One or two" (members of White's) "did not follow the war very closely. General Alexander, fresh from his triumphs in Italy, came into the Club one day in a flamboyant suit, and was greeted by a contemporary who lived in Ireland. "Hello, Alex, I haven't seen or heard of you since the war started. What have you been doing with yourself?" To which Alexander replied: "I'm still soldiering." (Lord Ismay).

And for sheer authenticity

"Self-Help" is a collection of nine lucid, terse, witty — and often tragic — stories by a new young writer, Lorrie Moore.

The stories have been called, in America, cruel. But although the modernism was always of the reluctant sort, never for the sake of impressing. He was one of the very few contemporary writers who have tried to fulfil the demands of his times, but no more. The book is a sparse record of Mr Palomar's apprehensions of reality; not for nothing, of course, is he called "Mr Palomar".

This short novel about Mr Palomar, a character standing

to Calvino in much the same relation as Teste stood to Valéry or Plume to Michaux, was first published in Italy in 1983, and now appears here in the translation by William Weaver, who has done such good service to Calvino.

In this book Calvino might be said to combine the extremes of realism — with wonderful and wry recognition of its peculiarities — and the extremes of modernism. But his modernism was always of the reluctant sort, never for the sake of impressing. He was one of the very few contemporary writers who have tried to fulfil the demands of his times, but no more. The book is a sparse record of Mr Palomar's apprehensions of reality; not for nothing, of course, is he called "Mr Palomar".

It is a hugely complex work, for all its brevity, and one much more moving than might at first seem apparent. There is a 'key' to it at the end that will prove increasingly important to the reader who perseveres. It is a fitting swan song, and one that must be read by every serious student of fiction.

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B. A. Young reports on the Cheltenham Festival of Literature

The raising of the spirit

ALAN HANCOX, the greatest secondhand bookseller this side of Hay-on-Wye, is programme director of this year's Cheltenham Festival of Literature, and he has chosen as his theme *The Spirit of Place in Literature*. Here in Gloucestershire this at once means Laurie Lee. He gave two readings in the first week, which was spread all over the county—Winchcombe, Lechlhampton, Soudley, Cirencester, Southam, Stroud, Bishop's Cleeve. Laurie Lee was faithful to Cheltenham, however, on the Friday at the Ladies' College, sharing the evening with songs and readings by students and staff, on the Saturday in the town hall, sharing the time with Andrew Motion. His ad hoc introductions are as redolent of the Spirit of Place as his poems; but to show that there is a world elsewhere he included 'Town Owl', which is about Elm Park Gardens, SW10, and a piece about a tipsy stork at Jerez. Andrew Motion, of whom I have not read enough, read his poems with commendable lack of drama.

On Sunday, while the rain fell pitilessly all day, there were four star fixtures. In the morning, Christopher Fry analysed his attitude towards the use of language, illustrating his arguments with extracts from his plays. His talk was an exemplar of clear and elegant speech, such as you would expect from the writer of *The Lady's Not for Burning*. In this he was a clear contrast to Michael Foot, who followed him in the evening with *Byron in Venice*, a talk of great interest delivered with an unusual quota of hesitation and misreading. He spoke well of Byron's play *Manfred* (which the Young Vic gave some time ago), and especially well of *Don Juan*, which he reckoned the greatest anti-war play in the language.

From anti-war yet warlike Byron we passed to warlike but unidentified Homer, as paraphrased by Christopher Logue in *War Music*, vigorously performed by the author and Alan

Howard. I have heard them do this on radio, and as there were difficulties that caused overcrowding in a small hall, I heard the first 20 minutes through an open door and left them to their enthusiastic audience.

Between Mr Fry and Mr Foot, Michael Pennington gave his fine impersonation of Anton Chekhov, reconstituted by himself from biographical and other material. To hear him talking of his medical practice and his journey to Sakhalin, of his Astrovian concern with the states of the land, of the Trigonoesque behaviour of his friend Levitan, who shot a scull and gave it to his girl-friend—these things confirmed my long-held feeling that Chekhov was really just like you and me, but became a great man as a hobby.

This year's Shakespeare Lecture was by Professor Glynnie Wickham. He applied the festi-

val theme to Shakespeare's plays in an excellent talk that put the apparently missing scenery back into them. Not only "another part of the forest," but the true scenery, the clash, for instance, between the puritan ideas of Holland and the romantic ideas of Italy as represented by Antony and Cleopatra.

Ronald Blythe confided his love, not so much of Northamptonshire, but of the country in general, as distilled in the writing of John Clare, who has become so likeable to us in this very different age from his. He gave some samples of his prose writing, less familiar than the poems.

The point elegantly made by Professor Peter Levi in Thursday's talk on Eliot's England was that in spite of his external Englishness, Eliot always remained of foreigner. Europe to him was an extension of Boston, where, as a newcomer to St

Louis, he had felt uncomfortable. His reactions expressed in the Four Quartets were the more truthful because, as a foreigner, there was nothing for him to take for granted.

E. P. Thompson's Cheltenham Sotheby Lecture on Blake was very different. He admitted at once that you could not possibly associate Blake with the Spirit of Place, then spoke for 90 minutes with little specific mention of Blake until the last quarter hour. His subject was the route by which the philosophies of the antinomian sects of the 17th century, the Diggers, the Levellers and so on, could have survived their suppression for a century to find such similarity in Blake. His engrossing talk finished with the triumphant revelation that Blake's mother's brother, George Hermitage, was a member of the Muggletonians, an antinomian chapel that lasted from 1651 to our own time.

Besides the announced theme, the festival has a pronounced sub-theme. This is, Women are OK.

On Friday, October 4, the Raving Beauties—three pretty well-known actresses—gave a reading in Cirencester from "a powerful collection of new poems sent to them by women from all over the UK." Next day came a debate between three contributors to Penguin's series *Lives of Modern Women*.

Elaine Feinstein, Carol Angier and Caroline Moorehead.

Last week Phillips, always the most street-wise of the gang, bought its 13th provincial saleroom, at Par in Cornwall. This week Sotheby's moved out of seven scattered sites in Pulborough into a redundant convent school a few miles down the road outside Billingshurst. It has spent almost £1m on Summers Place but the extensive Victorian Gothic property has converted nicely into five salerooms. More to the point, it has space for hundreds of cars: the auction houses have followed the supermarkets out of town.

During its cash crisis three years ago Sotheby's retrenched on its satellite salerooms.

It closed its Belgrave offshoot and sold off, to its staff, its acquisition at Torquay, leaving itself with just Pulborough and Chester.

Now it has become excited about their prospects.

Indeed Pulborough, or rather Summers Place, with a turnover of £9m, makes a greater profit in five salerooms.

More to the point, it has space for hundreds of cars: the auction houses have followed the supermarkets out of town.

And the not so run-of-the-mill. With its new saleroom Sotheby's is raising its minimum lot, where possible, from £50 to £100 (except for books).

It is also holding, for a couple of days each month, an important sale in its regional outposts with goods to attract international dealers. The specialist items—tribal art, Japanese prints, and so on—will still go to London, but in the affluent south, where there are many private buyers, Summers Place will be organising auctions that turn over hundreds of thousands of pounds.

By operating a tight ship, with a small staff, regional salerooms can be very profitable. The valuers are skilled enough to recognise a potential money-spinner in a specialist area for referral to London, and within a couple of years Summers Place will have the computerised equipment available to flash goods through to London on screens for instant appreciation.

Basically it handles all the works of art snuffed out by

Summers Place—Sotheby's new out-of-town auction house

Saleroom

A place in the country

THE BIG London salerooms are coming down to earth. After years in which they saw their futures in selling multi-million pound Impressionist pictures at evening auctions in New York before appreciative crowds of tiered socialites they are rediscovering the virtue in disposing of granny's second-best bed. They have realised that there is money in the English (and Scottish) shares.

Last week Phillips, always the most street-wise of the gang, bought its 13th provincial

saleroom, at Par in Cornwall. Like most auction houses Sotheby's like to offer vendors a complete service: in practice this is impossible and the cheapest goods it will pass on to local salerooms. But to secure the masterpieces it is increasingly happy to dispose of the run-of-the-mill through Summers Place and Chester.

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the sporting guns department at Sotheby's, currently in Bond Street, and more specialist sections may disperse to Sussex.

In contrast to Sotheby's re-discovery of the provinces Mr Christopher Weston, chairman of Phillips, can hardly tour the country without buying another small auction house. Phillips is constantly looking for more—perhaps the under-exploited chattels side of a major estate agent. It believes that having a saleroom in the high street draws custom much more effectively than a system of well-placed regional experts.

Its main purpose is to sell good with a Scottish interest (and currently Scottish paintings are a flourishing market), to say nothing of Scottish furniture of the turn of the century but it is appealing to the nationalist feelings of the Scots and is handling some important commissions. Last month it sold a painting by the 18th century artist John Wootton of a huntsman for £225,000, the highest price for any work of art sold in Scotland (and for a picture with no particular Scottish links, apart from its owner). Perhaps it is planning to invest more heavily in its Glasgow auction house.

So, after the costly expenditure of the Big Three in New York, the next few years are likely to see more modest, but perhaps more profitable, spending in the towns and counties of the UK.

Antony Thorncroft

Records

Two Wagner conductors

WAGNER: TANNHAUSER. König, Popp, Meier, Weiki, Moll, Jerusalem, Sina; Haink/Savarian Radio Symphony and Chorus. EX 27 0265 3 (three records), also on cassette and compact disc.

WAGNER: PARSIFAL. Ellsworth, McIntyre, Meier, Joll, Folwell, Gwynne; Goodall/Welsh National Opera. EX 27 0178 3 (five records), also on cassette

THESE new EMI albums illustrate different kinds of professionalism in Wagner. Bernard Haitink and Reginald Goodall are both superlative musicians; but Haitink is above all an international conductor, with the technique to draw gleaming results from the orchestra he visits and the tact to accommodate star singers. Goodall needs to work with his players for a long time, and with his singers too (he is after all) a great and reverend performer); the international opera market finds that awkward, and only our domestic opera companies have been able to give him a long enough rein.

I don't mean to imply that Haitink is swift and slick, Goodall clumsy but deep—only that their recorded performances here are incommensurably different, for the reasons given. Besides, *Parsifal* is Wagner's last, most idiosyncratic and consciously ruminated work, whereas the 1860 'Dresden version' of *Tannhäuser* that Haitink conducts is half-period piece, half inspired groping toward new expressive possibilities. The Dresden *Tannhäuser* (including many second thoughts, but not the

Social workers are in the news, occasionally to their discredit, as it was apt to hear *Place of Safety*, by Michael Z. Lewin, as last week's Saturday Evening Play. This is about a good, hard-working lady social worker, set to discover who is inflicting a series of injuries on seven-year-old Amy, including a savage beating. The play was a characteristic Saturday evening piece, verging on the edge of crime, though Mr Lewin's police were only marginal. The identity of the guilty party was concealed until the last moment by directing it elsewhere, but in fact it hardly mattered which candidate was guilty.

The glimpse into a social worker's existence was interesting, and is presumably accurate enough, for it is no secret that the author's wife, a social worker, (Dor Maureen O'Brien) was shown as conscientious and active, and should serve to boost social workers' reputations a bit, though her affair with a handy solicitor was

Solution to Chess No. 588
(a) 1 Nxf3 ch, R2N; 2 QxQ.
(b) The game ended 1...R-KN1; 2 NgP ch, PxN; 3 QxQ, BxP ch; 4 K-N1, BxR ch; 5 BxR.

pretty roughly imagined, and a passage about half-hour before the end, in which details of a lot of extra cases were dropped in, was clearly only there to take up an extra five minutes.

Not Larger than Life (also Radio 4, Saturday) was an imaginative comparison of Alexander Selkirk's account of his adventures when marooned on Juan Fernández, as he told them to Daniel Defoe, and Robinson Crusoe's adventures as Defoe then presented them. Defoe took so many liberties, he might as well have written an original tale of his own. As reconstituted by Philip Mackie, Selkirk's time was less adventurous than Crusoe's. He had a gun, and shot goats until he feared running out of powder; then he caught them by hand. There was no Man Friday, though he once saw some distant sailors. When he came home (which was in Scotland, not York) he only stayed a short time before quitting his young wife and going back to

sea. Defoe wrote a *Further Adventure of Robinson Crusoe*, but we know nothing of the further adventures of Alexander Selkirk.

"It is a strange thing, to be an American," Archibald MacLeish wrote; and it seems stranger still to be an American writer. They agonise over their responsibilities as if they were bound for the priesthood, and once reconciled to being novelists they worry about being Americans. Radio 3 gave us an engaging piece about Philip Roth, known to most of us as the author of *Portnoy's Complaint*. John Updike and others discussed with Professor Stephen Fender, and with Roth himself, why he wrote as he did: what were his influences, why he wrote so much about Newark; what it meant to be a Jew. It was all as interesting as if we were studying some rare species in a glass case. A year ago, we had an interview with Grahame Greene, who has written more, and many would

say more important, books than Roth, but no one ventured into the kind of territory, nor has Greene himself, in his modest autobiographical writing.

Then yesterday, also on Radio 3, we heard about Raymond Queneau, a French writer not only of novels but of poems, film-scripts, philosophy, cabaret songs and other more serious things. Richard Mayne brought in Iris Murdoch, Richard Cobb, Miles Kington and half a dozen of Queneau's French admirers. They said, with little overall agreement, that he was small, so very French, secretive, an indulgent pessimist, anxious to ward off through his comic writing his fear of chaos. No one asked what had prompted him to become a writer, what his influences were, whether he found writing difficult, how it felt to be a Frenchman. I suppose we in Europe assume that a writer becomes a writer because he wants to, in their different ways. I think our way and the American way are both interesting; but they tend to result in contemporary American writers becoming more highly praised than our own. Perhaps they have better publicity.

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Radio

Close to the edge

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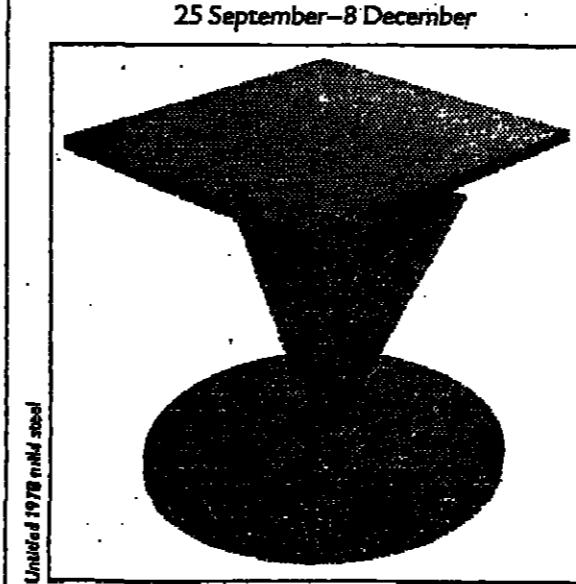
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Scott Burton

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